



AXIS FINANCE

ANNUAL REPORT 2015-16



*Today and Tomorrow
Your Partner in Financial Solutions*



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HIGHLIGHTS OF THE YEAR

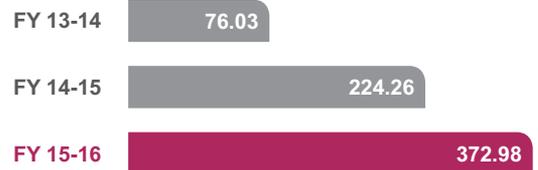
NET OWNED FUNDS

(₹ in crores)



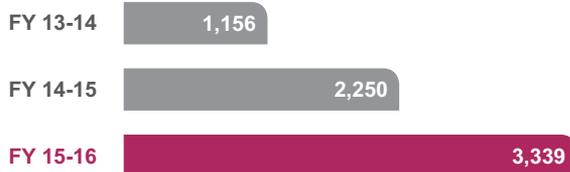
REVENUES

(₹ in crores)



BOOK SIZE

(₹ in crores)



EPS

(₹)



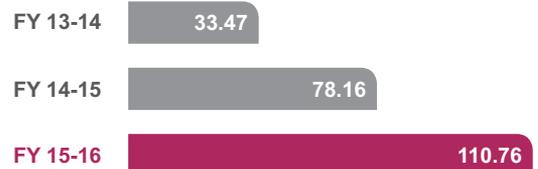
DIVIDEND

(₹ in crores)



PAT

(₹ in crores)



MESSAGE FROM THE CHAIRMAN



“

Over the years, the role of the NBFC sector in the Indian financial system has expanded in terms of its size, spread and niche areas of operation

”

The year gone by has been a good one for the Indian economy. Consumer price inflation slowed down considerably, the fiscal situation fell in line with targets and overall economic growth came in at over 7%. Encouraged by these developments, the Reserve Bank of India gradually eased its monetary policy stance. All this culminated in a positive environment for NBFCs.

Over the years, the role of the NBFC sector in the Indian financial system has expanded in terms of its size, spread and niche areas of operation. During the year, we have been able to grow our book from ₹ 2,250 crs in FY 2015 to ₹ 3,339 crs in FY 2016 (growth rate of 48%) by diversifying across products and through broadening and deepening our customer relationships. We have witnessed a healthy growth of 67% in total income and 42% in PAT. NIM and ROE stood at 5.73% and 16.4% respectively. We have put in place robust risk management frameworks, invested

in technology and human capital to support business growth.

In tune with ‘One Axis’ philosophy, we are leveraging Axis Bank franchise to capitalise on the opportunities and grow further. I take this opportunity to personally thank every one of you for the trust you have placed in us until now. It is because of your constant backing and implicit confidence in our vision that we have come this far. During the exciting times that lie ahead, we look forward to the support and encouragement of all our stakeholders.

Thank you once again,

V. Srinivasan
Chairman

Economic Growth Rate over



During the year, we have been able to grow our book from

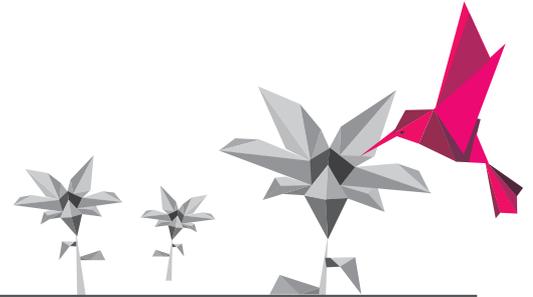
₹ 2,250 crs in FY 2015 to

₹ 3,339 crs in FY 2016

Growth Rate



MESSAGE FROM THE MANAGING DIRECTOR AND CEO



“

Our universe of potential customers is constantly growing as India progresses towards higher and more sustainable growth

”

Dear Stakeholders,

It gives me great pleasure to share with you the results of AFL for FY 2015-16, as we continue on our path and once again deliver a robust financial performance for the year. AFL's Assets Under Management (AUM) registered a growth of 48%, while the average cost of borrowing fell to 8.53% compared to 9.10% during the previous year. Moreover, our Asset Liability Management (ALM) position remained comfortable. AFL's earnings and PAT recorded a strong growth of 66% and 42% respectively. Most importantly, we continued to report strong asset quality with 'Nil' NPA for the year. We are well capitalised with a Capital Adequacy Ratio (CAR) of 21.81%.

During FY 2015-16, despite considerable growth in AUM, our business mix in terms of wholesale and retail continued to remain more or less the same as in the previous year. We look forward to increasing our retail exposure to around

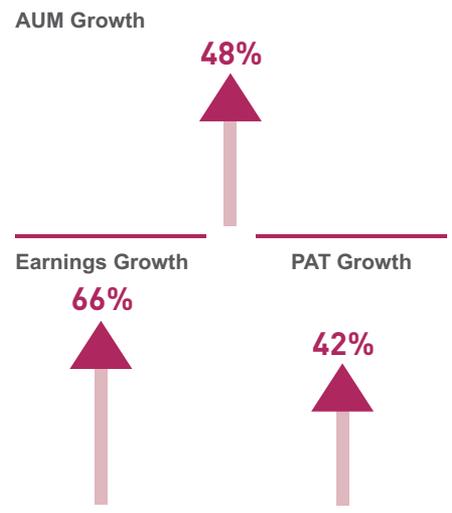
one-fifth over the next three years, from the current level of 14%. Broadly, we plan to expand our retail services by setting up loan origination centres for sourcing retail accounts in key markets across the country, while staying strong on our risk management practices.

Our universe of potential customers is constantly growing as India progresses towards higher and more sustainable growth. On the retail business front, we envisage to service the growing pool of retail customers by providing personalised financial solutions. Our wholesale business would be driven by relationship-centric approach which seeks to retain and deepen the existing client base and increase our coverage to large diversified groups.

We believe with the continuing policy reforms, improvement in fiscal discipline and monetary easing, our economy is slowly gaining momentum and poised for a take-off which augurs well for the NBFC sector. We would remain proactive and capitalise on the growth opportunity by investing in technology, processes and nurturing human talent.

I personally thank every one of you for the faith you have placed in us. We are committed to create greater value for all our stakeholders and look forward to your continued support.

Bipin Saraf
Managing Director & CEO



One-fifth
Expected retail exposure over the next three years, from the current level of 14%

OUR VISITING CARD

Axis Finance Limited is a wholly owned direct subsidiary of Axis Bank.

A trusted and customer-centric, financial services provider, Axis Finance Limited caters to the diverse needs of retail, corporate and institutional customers who have unique financing requirements. Our portfolio of products on the retail side includes Loan Against Shares, Loan

Against Mutual Funds, Fixed Deposits and Bonds, Margin Trade Funding, Employee Stock Option Financing, Loan Against Property and IPO Financing. In the Wholesale lending space, we cater to Promoter Funding, Special Situations Funding, Structured and Mezzanine Financing and Real-Estate Financing requirements of Corporates.



Vision

TO BE THE PREFERRED FINANCIAL SOLUTIONS PROVIDER EXCELLING IN CUSTOMER DELIVERY THROUGH INSIGHT, EMPOWERED EMPLOYEES AND SMART USE OF TECHNOLOGY.

Corporate Philosophy

Axis Finance’s philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all interactions with its stakeholders. The Company

believes that all its operations and actions must serve the underlying goal of enhancing long-term shareholder value. In our commitment to practice sound governance principles, we are guided by the following core principles:



Credit Rating

	Indian Rating
Long-Term Rating	IND-RA 'AAA'
Short-Term Rating	IND-RA 'A1+'

PRODUCTS

AFL's products are broadly classified into Corporate Loan Products and Retail Loan Products, based on the universe of users we offer them to:

CORPORATE LENDING SOLUTIONS

Our corporate products include Promoter Funding, Special Situations Funding, Structured & Mezzanine Financing and Real Estate Financing.

Promoter Funding

Special Situation Funding

Structured & Mezzanine Financing

Real Estate Financing

Promoter Funding

Axis Finance provides Promoter Funding by way of Loans against Shares (Listed/Unlisted) for facilitating various requirements of the promoters of large and mid-size Indian corporates. AFL facilitates such financing requirements with solutions that range from simple to complex loan structures with flexibility of short-to-long duration maturities.

Special Situation Funding

Axis Finance has a formidable presence in the area of special situation funding. Our credit underwriting platform encompasses a wide variety of financial solutions for transactions. We have advised and financed large and mid-ticket domestic acquisition financing requirements of corporates in India. Our underwriting practice provides flexibility of asset and/or cash flow

backed transactions structured as short-to-medium term loan products. Our financing solutions also cover PE buyouts or creeping acquisitions, family settlements, bridge financing, etc.

Structured & Mezzanine Financing

We provide Structured and Mezzanine Financing solutions to Indian corporates across products like secured debt, discount or zero coupon bonds, with various interest and ownership options.

Real Estate Financing

We provide critical funding for early stage or the last mile of project life cycles. Unlike construction financing, we provide customised offerings built around the developer's stock liquidation estimates and help them realise better project returns. Presently, we provide financing at all Tier-I and key Tier-II cities across India through AFL centres.



Loan Against Shares

With all the requisite services – Broking, Banking and Advisory – within the Axis Group, we offer Loan against Shares for periods of up to 12 - 36 months. At attractive rates and a minimum margin of 50%, depending on the scrip category, we enable our clients to take advantage of investment opportunities.

Loan Against MFs, Bonds & FDs

AFL allows investors to take advantage of timely market opportunities and diversify their portfolios, backed by loans ranging from ₹ 25 lakh to ₹ 100 crores, with LTV ratios (depending on fund category) that range between 40-75% for equity mutual funds, 70-95% for Debt Mutual Funds and 80-90% for Tax Free Bonds. This facility offers the dual benefit of availing a loan against your mutual funds, bonds and fixed deposits, while continuing to earn returns on them without liquidating them.

Margin Trade Funding

We offer loans against an approved list of over 500 securities for a period of 12 months. The minimum loan amount we sanction is ₹ 25 lakh, taking into account a minimum margin of 50%, depending on the scrip category. With simple documentation and attractive interest rates, these loans can be used to purchase further securities without selling off long-term investments.

ESOP Financing

AFL provides loans to employees of companies (Employer) who have been granted ESOPs. This financing support enables employees to unlock their wealth by subscribing to Employee Stock Options (ESOPs). The loan eligibility criteria for employees is in line with the terms of the ESOP scheme of the employer and the internal control measures of the employer. Under the plain vanilla ESOP funding option,

AFL offers a loan product wherein the ESOP exercise price is funded against prescribed margins, which are collected upfront.

Loan Against Property

We offer loans against both residential and commercial property for tenures of up to 60 months. These loans, which range from ₹ 1 crore to 100 crores, can be utilised for any purpose other than speculative and illegal uses. With this product, our customers can enjoy liquidity without selling their property.

Initial Public Offer Financing

Our IPO Financing offers clients an opportunity to leverage their funds in the primary markets and thereby increase their allotment quantum manifold. Axis Finance Limited provides loans for subscription in the IPOs of equity shares. With only the margin amount payable upfront, we finance the balance application amount.

CORPORATE INFORMATION

BOARD OF DIRECTORS



Mr. V. Srinivasan
Chairman

is a qualified engineer from the College of Engineering, Anna University, Chennai who has also completed his PGDBM from the Indian Institute of Management, Calcutta in 1990. He began his career in the financial services industry with ICICI Ltd., in its Merchant Banking Division, in 1990. He was a part of the start-up team of ICICI Securities and Finance Co. Ltd (I-Sec), the joint venture between ICICI and J.P. Morgan and headed the Fixed Income business there. Since 1999, Mr. V. Srinivasan was working with J.P. Morgan, India and in his last assignment he was the Managing Director and the Head of Markets. He was the CEO of J.P. Morgan Chase Bank, Mumbai Branch as well as Chairman, J.P. Morgan Securities (I) Pvt. Ltd. at the time he left J.P. Morgan. He has served on various RBI Committees such as the Technical Advisory Committee of RBI, Committee of Repos, STRIPS etc. He has also served as a Chairman of FIMMDA, the key self-regulatory body for bond and money markets and PDAI, the self-regulatory organisation for Primary Dealers. Mr. V. Srinivasan, joined Axis Bank as the Executive Director - Corporate Banking in 2009 and was promoted as a Director on the Board of Axis Bank in October 2012. Currently is the Deputy Managing Director of Axis Bank and also serves as the Chairman of Axis Finance Ltd.



Mr. Bipin Saraf
*Managing Director
& CEO*

is a Rank Holder Chartered Accountant and Cost Accountant and holds a Bachelor's degree in Commerce. He has more than 20 years of experience in the areas of Finance and Banking. Before joining Axis Bank Limited, Mr. Saraf was with IFCI Limited from 1995 to 2003. He commenced his career with IFCI Limited and was responsible for handling the portfolio of large and medium corporates belonging to various sectors including Steel, Power, Textile, Petrochemicals, etc. He joined the Capital Market Department of Axis Bank Limited in 2003 and was in-charge of the Corporate & Financial Advisory Portfolio in the Eastern Zone with the primary responsibility of undertaking project advisory & appraisal assignments, corporate restructuring and syndication of funds for various corporate clients. Subsequent to that he was responsible for the Structured Products business under the Capital Markets Department of Axis Bank Limited. During his last stint with Axis Bank he was Head of the Global Debt Syndication Business (International & Domestic). He has been heading Axis Finance Ltd as the MD & CEO for the last three years and has been instrumental in setting up this wholly-owned subsidiary NBFC under Axis Bank. To his credit, Axis Finance Limited (AFL) in the span of three years has evolved as one of the fastest growing NBFCs with a balance sheet size of above ₹ 3,000 crores and a prime focus on Wholesale and Retail Lending. AFL under his tenure has secured the Highest Credit Rating (India Ratings), exhibited robust operating parameters and is well poised to grow in future years.



Mr. Cyril Anand
Director

holds a Bachelor's Degree in Commerce, and a Master's Degree in Business Administration. He brings with him more than 25 years of experience in the banking industry. He joined Axis Bank in April 1995. In the last 20 years, he has held several roles in various departments of the Bank, like Branch banking, Corporate and International banking. Mr. Anand's last role was CEO for Axis Bank UK Limited, an International subsidiary of Axis Bank. He has since moved back to India and is currently the Chief Risk Officer for Axis Bank.



Mr. V. R. Kaundinya
Independent Director

is a Graduate in Agriculture from AP Agricultural University, Hyderabad. He holds an MBA degree with specialisation in Agriculture from the Indian Institute of Management, Ahmedabad. Mr. Kaundinya has worked extensively in the areas of productivity enhancement of farmers and improvement of their profitability through the use of high quality inputs. He has also worked on the development of seed production areas, contract farming systems in the seed / crop production areas in India and abroad. He was involved in a project that was aimed at the elimination of child labour in cotton seed farmers' fields in Andhra Pradesh. Mr. Kaundinya was a member of the Dr. Swaminathan Committee to develop the Biotech Policy in India. He held various leadership positions in industry associations like the Indian Crop Protection Association, Association of Seed Industry and Crop Biotech Association. He has developed case studies and taught Agricultural Marketing and Rural Development classes at the Indian Institute of Management, Ahmedabad.



Ms. Madhu Dubhashi
Independent Director

is an Economics (Honours) graduate from Delhi University and a post graduate in Business Administration from Indian Institute of Management, Ahmedabad (1971-73). She has been associated with the financial markets for over 41 years with wide experience, including assessment of viability of projects at ICICI Ltd., and managing of IPOs and FOOs during her tenures with Standard Chartered Bank, Investment Banking Division and J M Financial & Investment Consultancy Services Ltd. She has also been instrumental in setting up a dedicated centre for financial analysis of companies rated by CRISIL in her capacity as CEO of Global Data Services of India, erstwhile subsidiary of CRISIL.

As on 1st July, 2016

CORPORATE INFORMATION

LEADERSHIP TEAM

Mr. Bipin Saraf, *Managing Director & CEO*

Mr. Kishore Babu, *Chief Operating Officer*

Mr. Amritanshu Mohanty, *Business Head*

Mr. Amith Iyer, *CFO & Treasury Head*

Mr. Vishal Sharan, *Head – Credit & Monitoring*

Mr. Rajneesh Kumar, *Company Secretary*

Auditors

M/s S.R. Batliboi & Co. LLP
Chartered Accountants

Secretarial Auditors

Mr. Ajay V. Mehta,
Practicing Company Secretary

Internal Auditors

M/s. J. K. Khanna & Co.
Chartered Accountants

Registered & Corporate Office

Axis Finance Limited

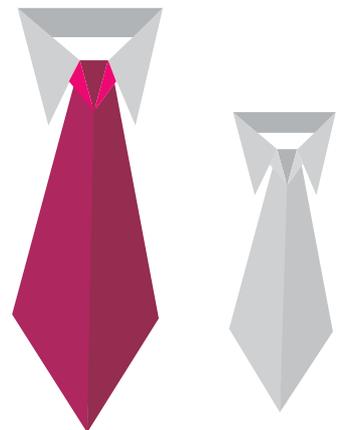
Ground Floor, Axis House,
Wadia International Centre,
Pandurang Budhkar Marg, Worli
Mumbai – 400 025
Tel: +91-22-62260000 Fax:+91-22-43253085

Debenture Trustee

Catalyst Trusteeship Limited
(Formerly known as GDA Trusteeship Limited)
Office No. 83-87, 8th Floor,
Mittal Tower, 'B' Wing, Nariman Point,
Mumbai – 400021
Tel: +91-22-49220555
Fax: +91-22-49220505

Bankers

Axis Bank Ltd
State Bank of India
Bank of Baroda
Punjab & Sind Bank
HDFC Bank Ltd
Karnataka Bank Ltd



As on 1st July, 2016

STATUTORY REPORT AND FINANCIAL STATEMENTS

DIRECTORS' REPORT 2015-2016

Dear Members,

Your Directors are pleased to present the 21st Annual Report on the business, operations and state of affairs of the Company together with the audited financial statement of the Company Accounts for the financial year ended March 31, 2016.

1. Financial Results of the Company

The summarized financial performance of the Company for the year ended March 31, 2016 is presented below:

(Amount in ₹)

Particulars	Current Financial Year 31.03.16	Previous Financial Year 31.03.15
Revenue from Operations (Net) and other income	372,98,96,108	224,26,10,984
Profit/(Loss) before Tax	169,89,89,083	117,39,17,332
Provision for Taxation	59,13,38,622	39,22,72,287
Profit/(Loss) after Tax	110,76,50,460	78,16,45,045
Balance brought forward from previous year	121,46,90,619	58,94,45,574
Profit available for appropriation	232,23,41,079	137,10,90,619
Less: Appropriations		
- Interim Equity Dividend	62,60,25,000	-
- Proposed Final Equity Dividend	-	-
- Tax on Equity Dividends	12,74,43,960	-
- Previous Year Tax on Equity Dividends	-	-
- General Reserve	-	-
- Transfer to Statutory Reserve	22,16,00,000	15,64,00,000
Surplus carried to the Balance Sheet	134,72,72,119	121,46,90,619

2. Operations Review

During the year, the Company has grown its outstanding Loans & Advances from ₹ 2,095.32 Cr to ₹ 3,103.62 Cr, a growth of 48.12%. The Net worth of the Company increased from ₹ 590.16 Cr as at March 31, 2015 to ₹ 725.49 Cr as at March 31, 2016. Net Interest Income increased by 59.10% from ₹ 90.52 Cr during the previous financial year ending March 31, 2015 to ₹ 144.02 Cr during the financial year ending March 31, 2016. The Profit before Tax, before exceptional items, increased from ₹ 117.39 Cr during the previous financial year ended March 31, 2015 to ₹ 169.89 Cr during the current financial year ending March 31, 2016. Net profit increased by 41.72% from ₹ 78.16 Cr to ₹ 110.77 Cr during the year.

A detailed discussion of operations for the year ended March 31, 2016 is provided in the Management Discussion and Analysis Report, which is presented in a separate section forming part of this Annual Report.

3. Dividend

During the financial year 2015-16, your Directors had declared and paid interim dividend of ₹ 1.70 per share (on the face value of ₹ 10 each) aggregating to ₹ 62.60 Cr (excluding dividend distribution tax). Your directors are not recommending any additional dividend and accordingly the said interim dividend may be treated and considered as the final dividend for the financial year ended March 31, 2016.

4. Transfer to Statutory Reserves

An amount of ₹ 22.16 Cr (being 20% of the net profits) has been transferred to Statutory Reserve as required under the provisions of Section 45 IC of The Reserve Bank of India Act, 1934.

5. Disclosures about capital infusion during the year and reserves transferred to the P & L account

During the year 5,00,00,000 equity shares of ₹ 10 each for cash at a premium of ₹ 10 per equity share were issued and allotted on a Rights basis to Axis Bank Limited (Holding Company). The total issued and paid-up capital as on

March 31, 2016 stood at ₹ 368.25 Cr. There has been no change in the issued and paid up capital after March 31, 2016 till the date of this report. Further, no reserves were transferred to the P&L Account during the year.

6. Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Report

As part of the group restructuring process and also in order to improve operating efficiencies, an approval of the Board of Directors has been obtained in- principle approval to amalgamate Axis Private Equity Limited (a fellow subsidiary company) with the Company, pursuant to the Scheme of Amalgamation to be drawn up between the two companies and its shareholders under the applicable provisions of the Companies Act, 1956 and / or the Companies Act, 2013 and other applicable Rules & Regulations in force.

Except as stated above, no material changes have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

7. Finance

The company raises funds using the most optimal mix, both, from banks & through the capital market route so as to minimise the cost of funds. To this end, it raises funds from banks by way of term loans and also has sanctioned cash credit lines in place, further it also raises funds through issuance of commercial papers and non-convertible debentures.

During the year, the Company issued Secured Redeemable Non-Convertible Debentures aggregating to ₹ 347.00 Cr on private placement basis. Total amount as on March 31, 2016 raised through Commercial Paper and Bank Finance stood at ₹ 1103.27 Cr and ₹ 850.37 Cr. respectively.

8. Credit Rating

The Company enjoys highest credit rating from the Rating Agency. The credit rating reflect the Company's financial discipline and prudence.

The Company has been assigned the following credit rating :

Name of Rating Agency	Type	Ratings	Amount (₹ in Crores)	Tenure	Validity
India Ratings and Research Private Limited	Long Term	IND AAA	1,200	-	Yearly Surveillance
	Short Term	IND A1+	5,500	12 months	February 28, 2017

9. Capital Adequacy

The Company's capital adequacy ratio was 21.81% as on March 31, 2016 which is significantly above the threshold limit of 15% as prescribed by the RBI.

10. Deposits

During the year, the Company has not accepted any deposit pursuant to Section 73 and Section 76 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014.

11. Change in shareholding pattern, material changes in the financial position of the company and commitments from the previous financial year till the current year

The Company continues to remain the wholly owned subsidiary of Axis Bank Limited, there is therefore no change in the shareholding pattern of the Company during the year under review.

12. Information about Subsidiary/ JV/ Associate Company

The Company does not have any Subsidiary, Joint venture or Associate Company.

13. Transfer of Unclaimed Dividend etc. to Investor Education and Protection Fund (IEPF)

Since there was no amount lying w.r.t unpaid/unclaimed Dividend, the provisions of Section 125 of the Companies Act, 2013 does not apply. Further, there was no amount due to be transferred to IEPF in respect to secured redeemable non-convertible debentures and interest thereon by the Company.

14. Extracts of the Annual Return of the Company

The Extract of Annual Return as required under section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, in Form MGT-9 is annexed herewith for your kind perusal and information. **(Annexure I)**

15. Meetings of the Board of Directors

The Board meets at least once in a quarter to consider among other businesses, quarterly performance of the Company and financial results. To enable the Board to discharge its responsibilities effectively and take informed decisions, necessary information is made available to the Board including circulation of agenda and notes thereof as well as presentations on financials and other critical areas of operations of the company. The Board is also kept informed of major events/items and approvals are being taken wherever necessary. The Managing Director & CEO, at the Board Meetings keeps the Board apprised of the overall performance of the Company at such meetings.

During the financial year 2015-16, the Company held 6 (six) meetings of the Board of Directors as per Section 173 of Companies Act, 2013. These were held on April 15, 2015, May 22, 2015, August 4, 2015, October 28, 2015, January 21, 2016 & March 21, 2016. The provisions of Companies Act, 2013 and the Listing Regulations were adhered to while considering the time gap between any two meetings.

Attendance of the directors during FY2016 is as under:

Name of the Director	Category of Director	Attendance at the last AGM held on June 18, 2015	No. of Board meetings held, and attended					
			1	2	3	4	5	6
Mr. Srinivasan Varadarajan	Chairman (Non-Executive Director)	YES	YES	YES	YES	YES	YES	YES
Mr. Bipin Kumar Saraf	Managing Director (Executive Director)	YES	YES	YES	YES	YES	YES	YES
Mr. Bapi Munshi	Director (Non-Executive Director)	YES	YES	YES	NO	YES	YES	YES
Mr. V.R Kaundinya	Director (Independent Director)	YES	YES	YES	YES	YES	YES	YES
Mrs. Madhu Dubhashi	Director (Independent Director)	YES	YES	NO	YES	YES	YES	YES

16. Details about directors and KMPs who were appointed/resigned during the financial year

i) **Details of Directors-** There was no change in Directorships during the financial year 2015-16. However, on account of his pre-occupation and other commitments, Mr. Bapi Munshi (DIN: 02470242), Director of the Company has tendered his resignation from the Board of the Company w.e.f. April 12, 2016. The Board of Directors would like to place on record the guidance and support extended by Mr. Munshi during his tenure as the director of the Company and wish him all the best for all his future endeavours.

Further w.e.f. April 12, 2016, Mr. Cyril Anand Madireddi (DIN: 07489389), was appointed as an Additional Director of the Company. Mr. Cyril Anand is not related to any of the directors of the Company. He holds office upto the date of the forthcoming Annual General Meeting. The Company has received a Notice from a member along with requisite deposit proposing candidature of Mr. Cyril Anand as Director of the Company. Accordingly, the approval of members for appointment of Mr. Cyril Anand as a Director liable to retire by rotation is being sought at the forthcoming Annual General Meeting.

ii) Details of KMP

Sr	Name	Designation	Appt/Resign	W.e.f	Remarks
1	Mr. Bipin Kumar Saraf	Managing Director	Re-Appointed	16.04.2016	Re-appointed for a period of 3 years w.e.f 16.04.2016 at Board Meeting held on 21.01.2016

17. Directors retiring by rotation

In accordance with the provisions of the Companies Act, 2013 read along with the applicable Company Rules, 2014, Mr Srinivasan Varadarajan, retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

18. Board Evaluation

Evaluation of performance of all Directors is undertaken annually. The Company has implemented a system of evaluating performance of the Board of Directors and of its Committees and individual Directors on the basis of a structured questionnaire which comprises evaluation criteria taking into consideration various performance related aspects.

The Board of Directors has expressed their satisfaction with the evaluation process.

19. A statement on declaration given by independent directors

The Board of Directors of the Company hereby confirms that all the Independent directors duly appointed by the Company have given the declaration and they meet the criteria of independence as provided under section 149(6) of the Companies Act, 2013.

20. Directors Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- that in the preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit and loss of the company for that period;
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The directors have prepared the annual accounts on a going concern basis;

- (e) The directors, have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively and
- (f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

21. Auditors

I) Re-appointment of Statutory Auditors

The members of the Company at the 19th Annual General Meeting of the Company held on July 28, 2014, had appointed S.R. Batliboi & Co. LLP, Chartered Accountants, Mumbai, (FRN 301003E), as the Statutory Auditors of the Company to hold office till the conclusion of the 23rd Annual General Meeting to be held in year 2018, subject to ratification of their appointment at every Annual General Meeting. A resolution for the ratification of the appointment of S.R. Batliboi & Co. LLP as Statutory Auditors is being placed for the approval of the members at the forthcoming Annual General Meeting.

II) Appointment of Internal Auditors

The Company has appointed M/s. J. K. Khanna & Co., Chartered Accountants (FRN 105078W), as an Internal Auditor of the Company for the Financial year 2015-16 or thereafter till March 31, 2017.

III) Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Ajay V. Mehta, Practicing Company Secretary, Mumbai to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is provided as **Annexure II**. There are no qualifications or adverse remarks in the Secretarial Audit Report.

22. Committees of the Board & Management

The Company and its Board has constituted a set of independent, qualified and focused committees of the Board constituting Directors of the Company. These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees operate as empowered agents of the Board as per their charter/terms of reference.

Currently, the Board has four (4) committees, Audit Committee, Corporate Social Responsibility (CSR) Committee, Nomination Committee and Risk Management Committee. The matters pertaining to financial results and auditors report are taken care of by the Audit Committee and those pertaining to remuneration of Key Executives

and Directors are within the realms of, Nominations Committee. The Corporate Social Responsibility (CSR) Committee, focuses on compliance of CSR policy and framework by the Company and monitors the expenditure to be incurred by the Company. The Company also has a separate Committee to look after Risk Management functions.

The table below provides a snap shot of the Board and committee composition as on March 31, 2016:

Board and committee composition as on March 31, 2016					
Name	Board	Audit committee	CSR committee	Nomination committee	Risk Management committee
Mr. Srinivasan Varadarajan	C	-	-	-	-
Mr. Bipin Kumar Saraf	M	-	M	M	M
Mr. Bapi Munshi	M	M	C	M	C
Mr. V.R Kaundinya	M	M	-	C	-
Mrs. Madhu Dubhashi	M	C	M	M	M

C – Chairperson, M – Member

- I) Audit Committee** - The Audit Committee was constituted on **January 11, 2013** and last re-constituted on March 10, 2015. As on March 31, 2016, the Audit Committee comprised of three (3) members, of which two (2) were independent directors. During the financial year 2015-16, the committee held five (5) meetings. These were held on April 15, 2015, August 4, 2015, October 28, 2015, January 21, 2016 & March 21, 2016 .

Name of the Director	No. of meetings held, and attended, during tenure					% of attendance
	1	2	3	4	5	
Mr. V.R Kaundinya	YES	YES	YES	YES	YES	100%
Mrs. Madhu Dubhashi	YES	YES	YES	YES	YES	100%
Mr. Bapi Munshi	YES	YES	NO	YES	YES	80%

- II) Nomination Committee** - The Nomination Committee was constituted on January 11, 2013 and re-constituted on March 10, 2015. As on March 31, 2016, the Nomination Committee comprised of four (4) members, of which two (2) were independent directors. During the financial year 2015-16, the committee held three (3) meetings. These were held on April 15, 2015, January 21, 2016 & March 21, 2016.

Name of the Director	No. of meetings held, and attended, during tenure			% of attendance
	1	2	3	
Mr. V.R Kaundinya	YES	YES	YES	100%
Mrs. Madhu Dubhashi	YES	YES	YES	100%
Mr. Bipin Kumar Saraf	YES	YES	YES	100%
Mr. Bapi Munshi	YES	YES	YES	100%

- III) Risk Management Committee** - The Risk Management Committee of the Company was constituted on January 11, 2013 and re-constituted on March 10, 2015]. As on March 31, 2016, the Risk Management committee comprised of three (3) members. During the financial year 2015-16, the committee held

four (4) meetings. These were held on April 15, 2015, August 4, 2015, October 28, 2015 & January 21, 2016.

Name of the Director	No. of meetings held, and attended, during tenure				% of attendance
	1	2	3	4	
Mrs. Madhu Dubhashi	YES	YES	YES	YES	100%
Mr. Bipin Kumar Saraf	YES	YES	YES	YES	100%
Mr. Bapi Munshi	YES	YES	NO	YES	75%

IV) CSR Committee - The CSR Committee was constituted on March 10, 2015. As on March 31, 2016, the committee comprised of three (3) members Mrs. Madhu Dubhashi, Mr. Bapi Munshi and Mr. Bipin Kumar Saraf. During the financial year 2015-16, the committee met once on January 21, 2016, which was attended by all the members.

23. Policies on appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178

The Company has a Nomination and Remuneration Policy formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto as amended from time to time. The policy shall apply to all Directors (Executive and Non-Executive), Key Managerial Personnel and Senior Management. The Policy lays down the roles of the Committee, criterion for appointment of Directors, Key Managerial Personnel and Senior Management and parameters for determining the remuneration of Directors, Key Managerial Personnel, Senior Management and other employees. The Nomination & Remuneration Policy is enclosed herewith as **Annexure- III**

24. Human Resources

Your Company believes in providing a conducive and challenging work environment for nurturing potential, encouraging performance and retaining talents at all levels. At the end of March 2016 the company had 34 employees including deputed staff from Axis Bank as against 23 as at March 2015, indicating 48% increase in manpower by 11 employees at various locations and levels. As a part of our long-term vision, the company consistently invests in employee training, helping grow the team's learning curve.

Your Directors place on record the appreciation of effort and dedication of the employees in achieving good results during the year under review.

The information required under Section 197 of the Companies Act, 2013 and the rules framed thereunder, is annexed as **Annexure IV** to this Report.

25. Reservation and qualification on Auditor's Report

The notes to Accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any

further comments. The statutory auditors have not made any reservation or qualification in their Audit Report.

26. Particulars of Loans, Guarantees or Investments under section 186 of the Companies Act, 2013

The Company, being a NBFC, is engaged in the business of financing loans to corporates, institutions etc and thus pursuant to Section 186 (11) of the Companies Act, 2013, lending business is an activity covered in the ordinary course of business.

27. Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188

All contracts/arrangements/transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on arm's length basis. Relevant Form (AOC-2) for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 is given as **Annexure V** to this Report.

During the year, the Company has not entered into any contract/arrangement/transaction with related parties which may have a potential conflict with the interest of the Company at large.

Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee for their review on a periodic basis. None of the Directors has any pecuniary relationship or transactions with the Company.

28. Management Discussions and Analysis

The Management Discussion and Analysis is annexed herewith as **Annexure VI**.

29. Conservation of energy & technology absorption and Foreign exchange earnings and Outgo

A. Since the Company does not carry any manufacturing activities, particulars to be disclosed with respect to Conservation of energy & technology absorption under Section 134 (3) (m) of Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are not applicable. The Company is however, constantly pursuing its goal of technological up-gradation in a cost effective manner for delivering quality customer service.

B. During the year under review, there has been no earnings and outgo in foreign exchange.

30. Risk Management

Periodic assessments to identify the risk areas are carried out and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan. The risks are classified as financial risks, operational risks and market risks. The risks are taken into account while preparing the annual business plan for the year. The Board is also periodically informed of the business risks and the actions taken to manage them. The Company has formulated a policy for Risk management with the following objectives:

- Provide an overview of the principles of risk management
- Explain approach adopted by the Company for risk management
- Define the organizational structure for effective risk management
- Develop a "risk" culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions.
- Identify, access and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost, to protect and preserve Company's human, physical and financial assets

31. Details on Corporate Social Responsibility (CSR) policy and its implementation

CSR Policy has been framed in accordance with Section 135 of the Companies Act, 2013 and the rules framed thereunder. As part of its initiatives under "Corporate Social Responsibility" (CSR), the Company has undertaken projects in the areas of Education, Livelihood, Health, Water and Sanitation. These projects are largely in accordance with Schedule VII of the Companies Act, 2013. The Company had transferred ₹1.22 Cr to Axis Bank Foundation on March 23, 2016 for the purpose of expenditure towards CSR activities. The details of the same is enclosed as **Annexure – VII** to this Report as mandated under the said Rules.

32. Disclosures about annual performance evaluation by the directors of the Company of its own and committees and individual directors

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of independent directors and other directors, Board of Directors and Committees of the Board of Directors. The criteria for performance evaluation covers the areas relevant to their functioning as independent directors or other directors, member of Board or Committees of the Board.

33. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

In terms of the information required under Sub-section (3)(i) of Section 134 it is to be noted that there are no

significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and company's operations in future.

34. Details in respect of adequacy of internal financial controls with reference to the Financial Statements.

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

35. Vigil Mechanism / Whistle Blower Policy

The Company has adopted the code of conduct for employee and also directors for the highest degree of transparency, integrity, accountability and corporate social responsibility. Any actual or potential violation of the Code would be a matter of serious concern for the Company. The Company also has Whistle Blower Policy to deal with instance of fraud and mismanagement, if any.

Employees of the Company are encouraged to use guidance provided in the Policy for reporting all allegations of suspected improper activities.

36. Compliances of RBI Guidelines

The company continues to comply with the applicable regulations and guidelines of the Reserve Bank of India as applicable to a Non- Banking Non Deposit Taking Systemically Important Loan Company ('NBFC-ND-SI'). The company has submitted returns with RBI on timely basis.

37. Acknowledgement

The Directors gratefully acknowledge all stakeholders of the Company viz. customers, members, dealers, vendors, banks and other business partners for the excellent support received from them during the year. The Directors place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued contribution to the Company.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

SRINIVASAN VARADARAJAN
CHAIRMAN
DIN: 00033882

BIPIN KUMAR SARAF
MANAGING DIRECTOR & CEO
DIN: 06416744

Place: Mumbai
Date: April 12, 2016
Place- Mumbai
CIN: U65921MH1995PLC212675

Form No. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2016

[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:

- i) CIN: - U65921MH1995PLC212675
- ii) Registration Date- 27/04/1995
- iii) Name of the Company: AXIS FINANCE LIMITED
- iv) **CATEGORY OF THE COMPANY:** - [PL. TICK]

- (1) Public Company - ✓
- (2) Private company -

SUB CATEGORY OF THE COMPANY: -[PLEASE TICK WHICHEVER ARE APPLICABLE]

- 1) Government Company-
- 2) Small Company-
- 3) One Person Company-
- 4) Subsidiary of Foreign Company-
- 5) NBFC- ✓
- 6) Guarantee Company-
- 7) Limited by shares- ✓
- 8) Unlimited Company-
- 9) Company having share capital-✓
- 10) Company not having share capital-
- 11) Company Registered under Section 8-

v) Address of the Registered Office and contact details

Address :	Axis House, Ground Floor, Wadia International Centre, Worli
Town / City :	Mumbai
District :	Mumbai
State :	Maharashtra
Telephone :(With STD Area Code Number)	022- 4325 5717
Pin Code	400025
Fax Number :	022-4325 5732
Email Address :	Rajneesh.Kumar@axisbank.com
Website (if any)	http://www.axisfinance.co.in/

vi) Whether Shares Listed On Recognized Stock Exchange(S) –No

vii) Name, Address and Contact details of Registrar and Transfer Agent, if any

Name of Registrar & Transfer Agents: KARVY COMPUTERSHARE PVT. LTD.

Address :	Karvy House, 46, Avenue 4, Street No.1, Banjara Hills
Town / City :	Hyderabad
District :	Hyderabad
State :	Telangana
Telephone :(With STD Area Code Number)	040 - 23312454
Pin Code	500 034
Fax Number :	040 - 23311968
Email Address :	Varghese@karvy.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	Interest on Loans	65923	82.67%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	Axis Bank Limited Add:	L65110GJ1993PLC020769	Holding	100*	Section 2(46)

*Including 60 shares (0.000019) held by individuals as Nominee of Axis Bank Limited. (Beneficial ownership is with Axis Bank Limited.)

Note1- As per Balance sheet there is no investment, so there is no subsidiary .

Note 2-As per the definition of Associate Company “associate company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation.—For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement;

Therefore there is no Associate Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.									
e) Banks / FI	31,82,49,950*	50**	31,82,50,000*	100*	36,82,49,950*	50**	36,82,50,000*	100*	15.71%
f) Any Other....									
Sub-total (A) (1):-									
(2) Foreign									
a) NRIs - Individuals									
b) Other – Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
Sub-total (A) (2):-									
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	31,82,49,950*	50**	31,82,50,000	100*	36,82,49,950*	50**	36,82,50,000	100*	15.71%

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	
B. Public Shareholding									
1. Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
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			NIL				NIL		
Grand Total (A+B+C)			31,82,50,000				36,82,50,000		15.71%

*Including 10 shares held by individual as Nominee of Axis Bank Limited (Beneficial ownership of which is with Axis Bank Limited.)

**Being shares held by individuals as Nominee of Axis Bank Limited (Beneficial ownership of which is with Axis Bank Limited.)

ii) Shareholding of Promoters

SI No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding 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	Axis Bank Limited	31,82,50,000	100*	NIL	36,82,50,000	100*	NIL	15.71%
	Total	31,82,50,000	100*	NIL	36,82,50,000	100*	NIL	15.71%

*Including 60 shares held by individuals as Nominee of Axis Bank Limited (Beneficial ownership of which is with Axis Bank Limited.)

iii) 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
	At the beginning of the year	*31,82,50,000	100	*31,82,50,000	100
1	17.11.2015 - Allotment of Equity Shares on Rights basis	5,00,00,000		*36,82,50,000	100
	At the End of the year	*36,82,50,000		*36,82,50,000	100

*Including 60 shares held by individuals as Nominee of Axis Bank Limited (Beneficial ownership of which is with Axis Bank Limited.)

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

Note- 100% shares are held by Axis Bank Limited, the holding Company including 60 shares held by individuals as Nominee of Axis Bank Limited (beneficial ownership of which is with Axis Bank.)

v) Shareholding of Directors and Key Managerial Personnel:

Sr. No	Name	Designation	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the Beginning of the year:					
1	*Srinivasan Varadarajan	Director	10	Negligible	10	Negligible
2	*Bipin Kumar Saraf	MD & CEO	10	Negligible	10	Negligible
	At the End of the year:					
1	*Srinivasan Varadarajan	Director	10	Negligible	10	Negligible
2	*Bipin Kumar Saraf	MD & CEO	10	Negligible	10	Negligible

*held as a nominee of Axis Bank Limited

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	8,495,121,436	20,186,401,747	NIL	28,681,523,183
ii) Interest due but not paid	NIL			NIL
iii) Interest accrued but not due	NIL			NIL
Total (i+ii+iii)	8,495,121,436	20,186,401,747	NIL	28,681,523,183
Change in Indebtedness during the financial year				
● Addition	5,390,837,951	NIL	NIL	5,390,837,951
● Reduction	NIL	8,181,926,168		8,181,926,168
Net Change	5,390,837,951	8,181,926,168	NIL	(2,791,088,217)
Indebtedness at the end of the financial year				
i) Principal Amount	13,885,959,387	12,004,475,579	NIL	25,890,434,966
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	377,300,159	NIL	NIL	377,300,159
Total (i+ii+iii)	14,263,259,546	12,004,475,579	NIL	26,267,735,125

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of MD	Total Amount (Rs. In Lacs)
		Mr. Bipin Kumar Saraf	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		99.40
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		11.88
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		NIL
2	Stock Option		NIL
3	Sweat Equity		NIL
4	Commission as % of profit		NIL
5	Others, please specify Variable Incentives		Included in point 1 above – part of 17(1) above
	Total (A)		111.28
	Ceiling as per the Act *5% of the net profit calculated as per Section 198		849.49

B. Remuneration to other directors:

Sl. no.	Particulars of Remuneration	Name of Directors		Total Amount (Rs. In Lacs)
		Mr. V.R Kaundinya	Mrs. Madhu Dubhashi	
1.	Independent Directors			
	• Fee for attending board / committee meetings	7.50	9.50	17.00
	• Commission	NIL	NIL	NIL
	• Others, please specify	NIL	NIL	NIL
	Total (1)	7.50	9.50	17.00
2.	Other Non-Executive Directors	NIL		NIL
	• Fee for attending board /			

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

Sl. no.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total (Rs. In Lacs)
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	29.82	60.90	90.72
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL
4	Commission as % of profit	NIL	NIL	NIL
5	Others			
	Total	29.82	60.90	90.72

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES (Under the Companies Act): NONE

For and on behalf of the Board of Directors

SRINIVASAN VARADARAJAN
CHAIRMAN
DIN: 00033882

BIPIN KUMAR SARAF
MANAGING DIRECTOR & CEO
DIN: 06416744

Date: 12.04.2016

Place Mumbai

AJAY V. MEHTA

COMPANY SECRETARY

20, C. J. New KapoINiwas, 2nd Floor, Haveli Compound, M. G. Road, Ghatkopar (E), Mumbai 400 077
Contact: Cell: 09224 330 973 • Email: avmehta25@gmail.com

Date: 11th April, 2016.

To,
The Members,
Axis Finance Limited
Mumbai

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Book of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of provisions of corporate and other applicable laws, rules, regulation, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

AJAY V. MEHTA
PRACTICING COMPANY SECRETARY
A.C.S.9332 C.P.7247

PS: Attached hereto is our Secretarial Audit Report (Form No. MR-3) of Even Date.

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March, 2016

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

To,
The Members,
Axis Finance Limited
Mumbai

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Axis Finance Limited** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minutes 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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2016 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:

I have examined the books, papers, minutes books, forms and returns filed and other records maintained by **Axis Finance Limited** ("the Company") for the financial year ended on 31st March, 2016 according to the provisions of:

- A) (1) The Companies Act, 2013 (the Act) &the rules made thereunder and the Companies Act, 1956 to the extent applicable;
- (2) Listing Agreement/ The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 i.r.o Listed Debt Securities of the Company;
- (3) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (4) The Depositories Act, 1996 and the Regulations and Bye-laws framed there-under;
- (5) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Securities and Exchange Board Of India (Prohibition of Insider Trading) Regulations, 2015;;
- (6) The Reserve Bank of India Act (Department of Non-Banking Supervision, Non Banking Financial (ND SI), Companies Prudential Norms (Reserve Bank) Directions;
- (7) 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;
- (8) Prevention of Money Laundering Act, 2002.
- (9) The Bombay Stamp Act, 1958.
- (10) The Information Technology Act, 2000.

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

- (i) Secretarial Standards (SS-1 & SS-2) issued by the Institute of Company Secretaries of India, New Delhi.
- B) During the period under review, provisions of the following Regulations (as enumerated in the prescribed format of Form MR-3) were not applicable to the Company:
- (i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- (ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (iii) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014;
- (iv) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations 2009;
- (v) The Securities and Exchange Board of India (Buyback of Securities) Regulations 1998.

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

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors & Non-Executive Directors pursuant to the provisions of Companies Act, 2013. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the relevant Act.

Adequate notice had been given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and that 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.

Unanimous decisions were carried through as there was no case of dissent of any Director in respect of any decision and was accordingly captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in place in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines as mentioned herein above

I further report that during the audit period the Company has specific events / actions as detailed in **Annexure I** to this Report having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to herein above.

Place : Mumbai
Date: 11th April, 2016.

AJAY V. MEHTA
PRACTICING COMPANY SECRETARY
A.C.S.9332 C.P.7247

Annexure I

List of Specific Events and Actions for FY 2015-16

1. Application made to Central Govt. in form CG-1 on 16.04.2015 towards application for condonation of delay in filing form MGT-14 in respect of resolution passed at Board meeting held on 15.05.2014 for Investment in 7.28% Redeemable Non-Participating Non Convertible Preference Shares of M/s Axis Assets Management Company Limited.
2. Order passed by CG vide its Order dated 16.06.2015 condoning delay w.r.t filing of e form MGT-14 i.r.o. Resolution passed at Board Meeting held on 15.05.2014.
3. Special Resolutions passed at the AGM held on 18.06.2015 w.r.t
 - a) Increase in Authorised Capital of the Company from ₹ 330,00,00,000/- to ₹ 1000,00,00,000/- by creation of 67,00,00,000 Equity Shares of ₹ 10/- each and consequential amendments in Clause V of the Memorandum of Association and Article 3 of the Articles of Association.
 - b) Increasing the Borrowing Powers of the Company to ₹ 10,500 crores over and above the Paid up Share Capital and Free Reserves of the Company.
 - c) Borrowing or Raising of funds in following manner:-
 - I. ₹ 300 Crores by issuance of part of the Tier II capital
 - II. ₹ 7000 Crores by issue of Commercial Papers.
 - III. Private Placement of Debentures of face value of ₹ 10,00,000 each, in the nature of Secured/unsecured, Redeemable, Non-Convertible Debentures, for the aggregate amount up to ₹ 1200 Crores.
 - d) Authority granted by Members to the Board of Directors to mortgage and/or charge and/or sell and/or lease and/or dispose off all or any of the movable and/or immovable properties and assets and the whole or substantially the whole of the undertaking/s of the Company.
 - e) Increase in Remuneration of Mr. Bipin Kumar Saraf, Managing Director & CEO (DIN: 06416744) of the Company w.e.f. April 01, 2015.
4. Execution of Debenture Trust Deed on 13.08.2015 for issue of Debentures to the extent of ₹ 800 Crs.
5. Issue of 5,00,00,000 Equity shares of ₹ 10/- each at premium of ₹ 10/- per share on Right basis vide Resolution passed at Board Meeting held on 28.06.2015.
6. Allotment on 17.11.2015, 5,00,00,000 Equity shares of ₹ 10/- each at a premium of ₹ 10/- per share on Right basis.
7. Resolution passed at the meeting of Board of Directors held on 21.01.2016 w.r.t Re-Appointment of & Payment of Remuneration to Mr. Bipin Kumar Saraf, as Managing Director & designate as Managing Director & CEO of the Company for a further period of 3 (three) years with effect from 16th April, 2016, subject to approval of the Members, Central Govt., if required.
8. Execution of Debenture Trust Deed on 18.02.2016 for issue of Debentures to the extent of ₹ 450 crs.
9. Allotment of 770, Secured Non convertible Debentures of ₹ 10,00,000 each (series 1) on 30.10.2015 on Private Placement basis.
10. Allotment of 250, Secured Non convertible Debentures of ₹ 10,00,000 each (series 2) on 27.11.2015 on Private Placement basis.
11. Allotment of 50, Secured Non convertible Debentures of ₹ 10,00,000 each (series 3) on 19.01.2016 on Private Placement basis.
12. Allotment of 1600, Secured Non convertible Debentures of ₹ 10,00,000 each (series 4) on 29.01.2016 on Private Placement basis.
13. Allotment of 100, Secured Non convertible Debentures of ₹ 10,00,000 each (series 5) on 02.02.2016 on Private Placement basis.
14. Allotment of 500, Secured Non convertible Debentures of ₹ 10,00,000 each (series 6) on 05.02.2016 on Private Placement basis.
15. Allotment of 200, Secured Non convertible Debentures of ₹ 10,00,000 each (series 7) on 04.03.2016 on Private Placement basis.

Place : Mumbai

Date : 11th April, 2016.

AJAY V. MEHTA
PRACTICING COMPANY SECRETARY
A.C.S.9332 C.P.7247

NOMINATION AND REMUNERATION POLICY

This Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto as amended from time to time. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration Committee (NRC or the Committee) and has been approved by the Board of Directors.

Definitions:

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

“Key Managerial Personnel” means:

- i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- ii) Chief Financial Officer;
- iii) Company Secretary; and
- iv) such other officer as may be prescribed.

“Senior Managerial Personnel” mean the personnel of the company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management, of rank equivalent to Senior Vice President and above, including all functional heads.

Objective:

The objective of the policy is to ensure that

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

APPLICABILITY:

The Policy shall be applicable to:

- (a) Directors (Executive and Non Executive)
- (b) Key Managerial Personnel
- (c) Senior Management, which means:-
 - (i) Personnel of the Company who are members of its core management team excluding Board of Directors. This would also include all members of management

one level below the executive directors including all functional heads.

CONSTITUTION OF COMMITTEE:

- (i) The Committee shall consist of minimum 3 Non-Executive Directors and majority of them being Independent Director.
- (ii) Chairman of the Committee shall be an Independent Director
- (iii) Minimum two members shall constitute a quorum for the meeting.

ROLE OF THE COMMITTEE:

The role of the NRC will be the following:

- To formulate Fit & Proper criteria for determining qualifications, positive attributes and independence of a Director in line with the prescribed guidelines of the RBI or other regulatory bodies.
- To formulate criteria for evaluation of Independent Directors and the Board.
- To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- To carry out evaluation of Director’s performance.
- To recommend to the Board the appointment and removal of Directors, Key Managerial Personnel and Senior Management
- To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- To devise a policy on Board diversity, composition, size.
- To ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- To ensure that the remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

APPOINTMENT OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

- i) The Nomination and Remuneration Committee shall identify persons who are qualified to become Directors and who may be appointed as Key Managerial Personnel and Senior Management.
- ii) The Committee shall ascertain the qualifications, expertise and experience of the persons to be appointed as Directors, Key Managerial Personnel and Senior Management and recommend their appointment to the Board of Directors.
- iii) The decision of the Board of Directors based on the recommendation of the Committee shall be final
- iv) The appointment including tenure of Directors and Key Managerial Personnel shall be subject to the policy of the company, provisions of Companies Act, 2013, and other relevant laws.
- v) The Committee shall evaluate their performance on a yearly basis and recommend their removal to the Board, if required.

REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT AND OTHER EMPLOYEES

- i) The remuneration payable to the Whole Time Directors

shall be as per the provisions of the Companies Act, 2013 and other relevant provisions.

- ii) The remuneration payable to Key Managerial Personnel and Senior Management shall be approved by the Committee on case to case basis.
- iii) The increments to the existing remuneration structure
 - a) In relation to Board of Directors shall be based on the evaluation of performance
 - b) In relation to Key Managerial Personnel and Senior Management shall be approved by the Committee based on the recommendation of the Managing Director
 - c) In relation to others shall be approved by the Managing Director based on the market conditions, performance of the company and other relevant factors from time to time.

FIT AND PROPER CRITERIA FOR DIRECTORS

Fit and Proper Criteria for Directors as prescribed by The Reserve Bank of India should be adhered with.

REMUNERATION TO NON-EXECUTIVE AND INDEPENDENT DIRECTORS

The Non-Executive and Independent Directors of the Company shall only be paid sitting fees (as determined by the Board from time to time) for attending Board/ Committee meetings apart from reimbursement of expenses incurred for attending the meetings.

Disclosure Requirement in Annual Report as prescribed under Companies Act, 2013 –Human Resources

The information relating to managerial remuneration in terms of Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are detailed as under: –

- (i) the ratio of the remuneration of each whole time director of the Company to the median remuneration of the employees of the Company for the financial year 2015-16;

Ratio of the remuneration of the whole time director of the company to the median remuneration of the employees of the company are, Mr. Bipin Kumar Saraf, MD &CEO -1: **6.93.**

Information is only in respect of whole time directors who are on rolls of the Company as on 31st March 2016

- (ii) the percentage increase in remuneration of each whole time director, Chief Financial Officer and the Company Secretary of the Company, during the financial year 2015-16, are as under;

Percentage increase in remuneration of Mr. Bipin Kumar Saraf, MD & CEO was 9%, Mr. Amith Iyer, Chief Financial Officer was 18% & Mr. Rajneesh Kumar, Company Secretary was 6%

- (iii) the percentage increase in the median remuneration of employees of the Company during the financial year;

Median remuneration of employees of the company decreased by 18% during the financial year 2015-16, as compared to the financial year 2014-15. This is on account of addition of manpower in FY 15 in the lower & middle level management.

- (iv) the number of permanent employees on the rolls of the Company; -

The company had 28 permanent employees on its rolls as on March 31, 2016. Further there are six personnel in the Company who are deputed from Axis Bank (the parent Company).

- (v) the explanation on the relationship between average increase in remuneration and company performance;

The company's performance management and compensation philosophies are structured to support the achievement of the Company's strategic business objectives. These strategic priorities are cascaded through annualised objectives to the employees. Based on the Company's performance, individual performance, market benchmarks on compensation and attrition trends, compensation strategy including increment benchmarks are proposed by the Nomination and Remuneration

Committee of the Directors of the Company for adoption by the Company.

- (vi) comparison of the remuneration of the Key Managerial Personnel against the performance of the Company;

As stated earlier, the company's performance management and compensation philosophies are structured to support the achievement of the company's strategic business objectives.

The company follows a KRA approach in designing its performance management system. Adequate attention is given to robust goal setting process to ensure alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across and through the organization. The non-financial goals for employees includes customer service, process improvement, adherence to risk and compliance norms, self-capability development and behaviours such as integrity and team management.

Accordingly the remuneration for Key Managerial Personnel has been decided based on the above parameters.

- (vii) variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies;

Not Applicable as our equity shares are not listed

- (viii) average percentile increase already made in the salaries of employees of the company other than its managerial personnel (viz. whole time directors of the Company) during 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;

Average remuneration increase for Non-managerial personnel of the company during the financial year was 7 % and the average remuneration increase for the said managerial personnel of the company was around 9%

- (ix) comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

The company's performance management and compensation philosophies are structured to support the achievement of the Company's on-going business objectives by rewarding achievement of objectives linked directly to its strategic business priorities. These strategic priorities are cascaded through annualised objectives to the employees.

The remuneration is decided taking into account the company's performance, individual performance and market benchmarks. The same is first approved by Nomination and Remuneration Committee of the Board of Directors and thereafter it is recommended to the Board for its approval.

Accordingly, percentage increase in remuneration of Mr. Bipin Kumar Saraf, MD & CEO was 9%, Mr. Amith Iyer, Chief Financial Officer was 18% & Mr. Rajneesh Kumar, Company Secretary was 6%

- (x) the key parameters for any variable component of remuneration availed by the Whole Time Directors of the company;
- Percentage of variable pay for the MD & CEO to be capped at 70% of fixed pay(AFL is adhering to RBI guidelines for Banks on the variable pay payable to MD& CEO.
- (xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year

Not Applicable

- (xii) affirmation that the remuneration is as per the remuneration policy of the company.

We affirm that the remuneration paid is as per the said Remuneration Policy of the company.

The information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company forms part of this Report. The Company had 2 employee(s) who were employed throughout the year and were in receipt of remuneration of more than ₹ 60 lakh per annum and none of the employee(s) were employed for part of the year and who was in receipt of remuneration of more than ₹ 5 lakh per month. In terms of Section 136 of the Companies Act, 2013, the copy of the financial statements of the Company including the consolidated financial statements, the auditor's report and relevant annexures to the said financial statements and reports are being sent to the Members and others entitled thereto, excluding the information in respect of the said employees containing the particulars as specified in Rule 5(2) of the said rules 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, he may write to the Company Secretary of the Company at the Registered Office. The financial statements, reports etc. of the Company have been hosted on the website of the Company (www.axisfinance.co.in)

FOR AND ON BEHALF OF BOARD OF DIRECTORS

SRINIVASAN VARADARAJAN
CHAIRMAN
DIN: 00033882

BIPIN KUMAR SARAF
MANAGING DIRECTOR & CEO
DIN: 06416744

Date: 12.04.2016
Place Mumbai

FORM AOC - 2

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

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

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

a)	Name (s) of the related party and nature of relationship	:	NIL
b)	Nature of contracts/arrangements/transactions	:	NIL
c)	Duration of the contracts / arrangements / transactions	:	NIL
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	:	NIL
e)	Justification for entering into such contracts or arrangements or transactions	:	NIL
f)	Date (s) of approval by the Board	:	NIL
g)	Amount paid as advances, if any	:	NIL
h)	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 arrangement or transactions at arm’s length basis

a)	Name (s) of the related party and nature of relationship	:	Axis Bank Limited
b)	Nature of contracts/arrangements/transactions	:	<ol style="list-style-type: none"> 1) Rent Paid 2) Bank Charges 3) Current Account Balance 4) LOC Account Balance 5) OPE Salary 6) Capital Infusion 7) Interim Dividend Paid For F.Y 2015-16 8) OPE Reimbursement 9) Demat A/c Chgs 10) IPA Commission Charges Paid 11) Retainership Fees Reimbursement 12) Arrangership Fees 13) Escrow Fees Paid 14) Interest Paid on Line of Credit 15) Processing Fees received
c)	Duration of the contracts / arrangements / transactions	:	Continuous
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	:	Refer Financial statements
e)	Date (s) of approval by the Board, if any	:	Transaction at arm’s length and in ordinary course of business
f)	Amount paid as advances, if any	:	NIL

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

a)	Name (s) of the related party and nature of relationship	:	Axis Capital Limited
b)	Nature of contracts/arrangements/transactions	:	1) Service charges (Exp)
c)	Duration of the contracts / arrangements / transactions	:	Continuous
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	:	Refer Financial statements
e)	Date (s) of approval by the Board, if any	:	Transaction at arm's length and in ordinary course of business
f)	Amount paid as advances, if any	:	NIL

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

	Name (s) of the related party and nature of relationship	:	Axis Securities Limited
a)	Nature of contracts/arrangements/transactions	:	1) Rent Paid 2) Internet Charges (Exp) 3) Demat Chgs
b)	Duration of the contracts / arrangements / transactions	:	Continuous
c)	Salient terms of the contracts or arrangements or transactions including the value, if any	:	Refer Financial statements
d)	Date (s) of approval by the Board, if any	:	Transaction at arm's length and in ordinary course of business
e)	Amount paid as advances, if any	:	NIL

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

a)	Name (s) of the related party and nature of relationship	:	Axis Trustee Services Ltd
b)	Nature of contracts/arrangements/transactions	:	1)Annual Fees
c)	Duration of the contracts / arrangements / transactions	:	Continuous
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	:	Refer Financial statements
e)	Date (s) of approval by the Board, if any	:	Transaction at arm's length and in ordinary course of business
f)	Amount paid as advances, if any	:	NIL

SRINIVASAN VARADARAJAN
CHAIRMAN
Din No.00033882

BIPIN KUMAR SARAF
MANAGING DIRECTOR & CEO
Din No. 06416744

Place : Mumbai
Date: 12.04.2016

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Axis Finance Limited (AFL), a wholly owned subsidiary of Axis Bank, is registered with RBI as a Systemically Important Non-Deposit Accepting Non-Banking Financial Company. AFL operates in niche verticals such as Promoter Funding, Margin Funding, IPO Finance, Loan Against Securities, ESOP Financing, Real Estate Financing, Special Situation Funding and Related Advisory Services.

ECONOMIC REVIEW, INDUSTRY STRUCTURE AND DEVELOPMENTS

India's macro fundamentals remain robust, due to both the drop in commodity prices, particularly crude oil, and also the result of policy measures from the Union Government. The fundamentals compare favourably to most of India's EM peers. The current account deficit narrowed to 1.4% in April-December, from 1.7% in the corresponding period of FY 2014-15, on the back of contraction of trade deficit.

The Union Budget for FY17 also adhered to the announced path of consolidation, signalling a stance of fiscal rectitude, which has further improved investor sentiment. The fiscal deficit has reduced from 5.7% of GDP during FY12 to about 3.9% during FY16 and is budgeted at 3.5% for FY17. Taking advantage of the drop in commodity prices, the Government has adopted policy reforms which have helped in taking out supply side bottlenecks, thereby, creating more space for accommodative monetary policy actions. Domestic interest rates were trending downward with a 75 bps reduction in repo rate by RBI during FY16.



However, private sector capex remained weak largely on account of leveraged balance sheets and weak sales growth of corporates. Capacity utilisation levels continue to remain low, with RBI surveys indicating levels of around 70%. Cash flows of companies have reasonably improved, but relatively low-interest coverage ratios are a concern. All these factors have contributed to weak economic activities.

Outlook for 2016-17

There are signs of a gradual recovery in business in India, despite continuing headwinds from weak exports and the agriculture sector. Global financial markets seem to have stabilised, although transiently, but the asymmetric monetary policy strategies of global central banks continue to pose risks. The order books of companies executing Government EPCs and other contracts have filled out, which indicate that manufacturing growth might revive in

“
The current account deficit narrowed to 1.4% in April-December, from 1.7% in the corresponding period of 2014-15, on the back of contraction of trade deficit
”

FY17. The GDP growth is expected to improve from 7.3% in FY16 to 7.6% in FY17, and even higher if the monsoon is normal. This is also reflected in the IMF's uprating of India's FY16 growth forecast. CPI inflation has also remained anchored around 4.9% in FY16, despite a second consecutive drought year, and is likely to increase only marginally in FY17. This will also enable the Union Government to adhere to the Budgeted Fiscal Deficit target of 3.5% of GDP in FY17, thereby achieving the desired aggregate demand level. The Rupee has remained stable, and foreign capital flows have started returning to India, as with other EMs. The growth-inflation trade-off provides room for RBI to cut its policy rates further. Given this outlook, credit offtake from banks and NBFCs is expected to increase gradually during FY 2016-17.

The prudential norms for NBFCs pertaining to the recognition of NPA and capital adequacy are set to get even tighter in FY 2016-17 and FY 2017-18. By the end of FY 2016-17, the period for recognising NPAs will reduce to 120 days and eventually to 90 days by the end of FY 2017-18 from the current 150 days. Furthermore, the requirement of Tier-I capital will move from 8.5% in FY 2015-16 to 10% by the end of FY 2016-17. Taking a proactive step, AFL has already adopted the 90-day NPA recognition norm and accelerated provisioning against standard assets of 0.40% from FY 2015-16.

BUSINESS OVERVIEW

The Company's AUM (Assets Under Management) representing the loan book expanded to ₹ 3,339 crores during FY 2015-16 from ₹ 2,250 crores in FY 2014-15, registering a growth of 48%.

The average cost of borrowing for the Company has reduced from 9.10% in FY 2014-15 to 8.53% in FY 2015-16, in line with the interest rate movement during the year.

Cost of Borrowing (%)

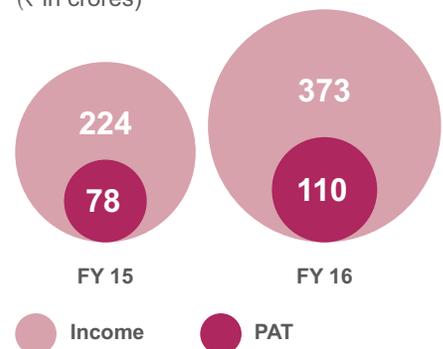


Although the monetary policy stance of RBI remained accommodative in FY 2015-16, the system experienced some liquidity pressure in Q4.

The Asset Liability Management (ALM) position of the Company remained comfortable.

Key Financial Analysis

(₹ in crores)



NIM (%)



ROA (%)



ROE (%)



AFL delivered robust financial performance during the year. Total earnings of the Company increased 66%, from ₹ 224.26 crores in FY 2014-15 to ₹ 372.98 crores in FY 2015-16. PAT went up 42% to ₹ 110.76 crores during the same period. AFL reported a healthy Return on Equity (ROE) of 16.4% in FY 2015-16. Return on Assets (ROA) of AFL steadily improved from 3.33% in FY 2014-15 to 4.04% in FY 2015-16. The Company endeavours to enhance value creation further in coming years.

AFL continues to remain a Zero NPA company.

CAPITAL MANAGEMENT

AFL strives for constant enhancement of shareholder value by efficiently using the capital to maximise return on equity. As on March 31, 2016, AFL remained well-capitalised. The Capital Adequacy Ratio (CAR) stood at 21.81%, which is well above the minimum capitalisation requirements prescribed by the prudential norms.

As on March 31	2016	2015
Total Capital Adequacy Ratio	21.81	17.18
Out of above:		
Tier I capital ratio	21.43	17.02
Tier II capital ratio	0.38	0.16

BUSINESS ANALYSIS

AFL majorly operates through two verticals namely Wholesale Funding and Retail / HNI business. Given below is an analysis of the performance of each segment.

Under wholesale funding, AFL is present into products such as Promoter Funding, Real Estate Funding and Structured Funding.

Loan Against Shares / Promoter Funding

AFL lends to promoters of companies against their holdings in large cap listed companies. AFL focusses on large

and reputed promoter groups having substantial market capitalisation and investment grade credit rating.

Loan against Shares remained an important area of operations for AFL in FY 2015-16. As against an outstanding loan book of ₹ 622 crores as on March 31, 2015, the portfolio increased to ₹ 1,034 crores as on March 31, 2016, representing a growth of 66% during the year.

This segment accounts for nearly 31% of the loan book. AFL has achieved 100% client retention in this business segment during FY 2015-16.



The Rupee has remained stable, and foreign capital flows have started returning to India, as with other EMs



Real Estate Funding

AFL offers loans to real estate developers for meeting various pre and post construction activities. The focus area of AFL in RE Funding is financing against ready/late stage residential inventory across major markets in India.

This segment constitutes nearly 22% of the overall loan book. Loan book under the portfolio has grown from ₹ 536 crores in FY 2014-15 to ₹ 743 crores in FY 2015-16, a growth of 39%.

Structured Funding

To meet unique and event-based financial requirements of corporates,

AFL provides structured loans. As on March 31, 2016, this portfolio constituted 32% of the loan book. In FY 2015-16, the structured funding book increased by 32% to ₹ 1,068 crores from ₹ 809 crores in FY 2014-15.

Retail / HNI Finance

Although wholesale funding constitutes a major portion of AFL's loan book, the Company has a considerable presence in the non-corporate / retail space wherein it offers some exclusive products to its clients like Margin Trade Funding, IPO Funding, Loan Against Shares/Mutual Funds/Bonds, Loan Against Property and ESOP Funding.

The retail loan book has grown significantly over the last two years. In FY 2013-14, retail portfolio accounted for 6% of AUM, which increased to 14% in FY 2015-16. The total size of the retail assets stood at ₹ 471 crores in FY 2015-16, out of which, 84% comprised of Loan Against Securities.

OPPORTUNITIES AND RISKS

The Company expects to maintain the growth momentum in AUM with a strong emphasis on the retail/HNI book. From 14% at present, the Company aims to increase the retail exposure to 20% over the next three years. AFL also aims to improve its geographical presence by setting up loan origination centres in key markets for sourcing retail accounts.

The Company has adopted sound risk management practices. The thrust on secured lending and firm linkage with the parent company has resulted in better risk management practices.

Credit Risk

AFL has structured and standardised credit appraisal processes including the procedure of credit appraisal and review. The Company regularly monitors the portfolio concentration by segment, borrower, and groups, as applicable.

Interest Rate Risk

Interest rate fluctuations affect the borrowing cost, eventually affecting all business matrices. AFL borrows from a diverse base and at competitive rates. The inclusion of interest reset option, put-call option in loan contracts enables the Company to mitigate interest rate risks.

Market Risk

Since a substantial portion of AFL's portfolio is secured by the pledge of shares and other financial securities, a negative stock market movement and increased volatility always remain risky. AFL has adopted sound risk management practices to identify and mitigate risks.

Liquidity Risk

AFL's AUM Policy stipulates a broad framework for liquidity risk management to ensure that the Company is in a position to meet its daily liquidity obligations as well as to withstand a period of liquidity stress from market-wide factors.

Operational Risk

AFL has created an enabling organisational structure for effective operational risk management. The risk associated with various processes has been identified, and necessary mitigating controls have been put in place.

“ AFL has created an enabling organisational structure for effective operational risk management ”

INFORMATION TECHNOLOGY

New technological platforms act as growth enablers and also allow the Company to have stringent risk management processes in place. Over the last twelve months, the Company has invested in procuring the latest hardware and software to meet the requirements of business, risk and finance teams, which has led to higher productivity. The Company endeavours to upgrade technological processes constantly and believes that IT initiatives will play a crucial role in fuelling higher growth.

COMPLIANCE AND INTERNAL CONTROL

AFL observes compliance practices of the highest standard. The Compliance team closely monitors RBI and other notifications on NBFCs with special attention to those relevant to the Company. The Company follows all

prudential norms laid down for NBFCs and submits all mandatory returns and statements in time. The Company has put in place a robust framework of internal controls that include precise delegation of authority and Standard Operating Processes which are available in all business segments and functions. The Company follows a practice of monitoring various internal control functions in-house as well as through

external auditors whenever required or mandated. The Company also reviews risk management processes on a regular basis and documents the results.

HUMAN CAPITAL

The Company's strong management team and talented, professional human capital resource are its biggest strengths. The Human Resource (HR) function revolves around creating and

developing human capital by improving organisational effectiveness, providing a safe and ethical work environment, and maintaining stability and sustainability amidst the rapidly changing business environment. The total strength of AFL's workforce as on March 31, 2016, was 34. AFL is an equal opportunity employer. Talent Acquisition and Leadership Development remain the core objectives of AFL's HR policies.

DISCLAIMER

Statements in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations, plans or predictions or industry conditions or events may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results, performance or achievements could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, competitors' pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other factors such as litigation and labour unrest or other difficulties. The Company assumes no responsibility to publicly update, amend, modify or revise any forward-looking statements, on the basis of any subsequent development, new information or future events or otherwise except as required by applicable law. Unless the context otherwise requires, all references in this document to "we", "us" or "our" refers to Axis Finance Limited.

ANNEXURE VII

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

(As prescribed under Section 135 of the Companies Act, 2013 and The Companies (Corporate Social Responsibility Policy) Rules 2014)

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

The CSR Policy was approved by the Committee on March 10, 2015 and subsequently was put on the Company's website. Weblink to the Company's CSR Policy: <http://www.axisfinance.in>

2. The Composition of the CSR Committee. Shri Bapi Munshi (Chairman), Shri Bipin Kumar Saraf, Smt. Madhu Dubhashi
3. Average net profit of the Company for last three financial years: ₹ 61.12 crores
4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above) : ₹ 1.22 Crores
5. Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year (2015-16); ₹ 1.22 crores

(b) Amount unspent , if any; NIL

(c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR project or activity identified.	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or Programs was undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs Subheads : (1) Direct expenditure on projects or programs. (2) Overheads :	Cumulative expenditure upto to the reporting period.	Amount spent: Direct or through implementing agency
1.	Social Welfare Programs of Axis Bank Foundation*						₹ 1,22,24,577/-
	TOTAL						₹ 1,22,24,577/-

* Give details of implementing agency: Axis Bank Foundation has been setup as a Public Trust by Axis Bank as its CSR arm committed itself to undertake various socially relevant endeavors with a special vision & mission to eradicate poverty, providing sustainable livelihoods, education of the underprivileged, healthcare, sanitation, etc. (Social Welfare Programmes)

6. In case the Company has failed to spend the two per cent, of the average net profit of the last three financial years or any part thereof, the company shall provide there a sons for not spending the amount in its Board report.—**NA**
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

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

Bipin Kumar Saraf
Managing Director & CEO
DIN - 06416744

Bapi Munshi
(Chairman CSR Committee)
DIN - 02470242

INDEPENDENT AUDITOR'S REPORT

To the Members of Axis Finance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Axis Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, 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 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, 2016, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
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 accounts as required by law have been kept by the Company so far as 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 Companies (Accounting Standards) Amendment Rules, 2016;
 - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, 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 A” 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 does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

per Jitendra H. Ranawat
Partner
Membership Number: 103380
Place of Signature: Mumbai
Date: 12 April, 2016

Annexure 1 referred to in our report of even date

Re: Axis Finance Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and location of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year. No material discrepancies were noticed 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's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanation given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, service tax and other material statutory dues applicable to it. The provisions relating to employees' state insurance, duty of customs, duty of excise, value added tax and cess are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, 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. The provisions relating to employees' state insurance, duty of customs, duty of excise, value added tax and cess are not applicable to the Company.
- (c) According to the information and explanations given to us, there are no dues of income tax, service tax, value added tax and cess which have not been deposited on account of any dispute. The provisions relating to employees' state insurance, duty of customs, duty of excise, value added tax and cess are not applicable to the Company.
- (viii) Based on our audit procedures performed for the purpose of reporting the true and view of the financial statements and according to the 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 and on an overall examination of balance sheet, we report that monies raised by way of commercial paper, non-convertible debentures and term loans were applied for the purposes for which they were raised.
- (x) Based upon the audit procedures performed for the purposes 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 on or by the officers and employees of the Company has been noticed or reported during the year.
- (xi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanation given by the management, we report that managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xi) 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

per Jitendra H. Ranawat

Partner

Membership Number: 103380

Place of Signature: Mumbai

Date: 12 April, 2016

“ANNEXURE A” TO THE INDEPENDENT AUDITOR’S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF AXIS FINANCE LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

To the Members of Axis Finance Limited

We have audited the internal financial controls over financial reporting of Axis Finance Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the standalone 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, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

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, 2016, 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.

Explanatory paragraph

We also have audited, 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, the standalone financial statements of Axis Finance Limited, which

comprise the Balance Sheet as at March 31, 2016, and the related 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, and our report dated April 12, 2016 and expressed an unqualified opinion thereon.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E

per **Jitendra H. Ranawat**

Partner

Membership Number: 103380

Place of Signature: Mumbai

Date: 12 April, 2016

BALANCE SHEET

as at March 31, 2016

Amount In ₹

	Note No.	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	3,682,500,000	3,182,500,000
Reserves and surplus	4	3,572,372,119	2,719,190,619
		7,254,872,119	5,901,690,619
Non Current Liabilities			
Long term borrowings	5	6,204,789,863	2,884,000,000
Other Non current liabilities	7	349,793,603	31,296,176
Long term provisions	8	39,065,845	18,552,044
		6,593,649,311	2,933,848,220
Current Liabilities			
Short term borrowings	6	19,435,645,103	24,697,523,183
Other current liabilities	7	293,164,924	1,137,345,049
Short term provisions	8	103,111,627	45,814,495
		19,831,921,654	25,880,682,727
Total		33,680,443,084	34,716,221,567
ASSETS			
Non Current Assets			
Fixed assets	9		
Tangible assets		3,996,462	2,280,260
Intangible assets		14,212,409	383,119
Capital work-in-progress		255,001	7,567,358
		18,463,872	10,230,737
Deferred tax asset	29	43,029,017	18,176,178
Non current investments	10	1,879,485,000	1,035,458,861
Long term loans and advances			
a. Loans	11	9,500,596,850	7,420,817,575
b. Others	12	38,567,744	27,625,516
Other Non current assets	13.2	20,525,918	7,640,605
		11,500,668,401	8,519,949,472
Current assets			
Current investments	10	532,271,861	12,503,718,212
Trade receivables	13.1	-	30,775,120
Cash and bank balances	14	1,457,477	103,595,287
Short term loans and advances			
a. Loans	11	21,535,566,872	13,532,383,922
b. Others	12	4,173,284	3,473,502
Other current assets	13.2	106,305,189	22,326,052
		22,179,774,683	26,196,272,095
Total		33,680,443,084	34,716,221,567
Summary of significant accounting policies	2.1		

The accompanying notes are forming part of financial statements

As per our attached report of even date

For S.R. BATLIBOI & CO. LLP

Firm Registration No.301003E

Chartered Accountants

per Jitendra H. Ranawat

Partner

Membership No. :- 103380

Place: Mumbai

Date: April 12, 2016

For and on behalf of the board of Axis Finance Limited

Srinivasan Varadarajan

Chairman

DIN No : 00033882

Amith Iyer

Chief Financial Officer

Bipin Kumar Saraf

Managing Director

DIN No : 06416744

Rajneesh Kumar

Company Secretary

Membership No: A31230

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2016

		Amount In ₹	
	Note No.	For the year ended March 31, 2016	For the year ended March 31, 2015
Income			
Revenue from operations	15	3,729,896,108	2,237,007,557
Other income	16	-	5,603,427
Total income	(A)	3,729,896,108	2,242,610,984
Expenses			
Employee benefit expense	17	80,679,557	64,897,236
Finance costs	18	1,812,223,670	933,162,098
Provisions and write off	19	71,852,459	25,289,300
Other expenses	20	63,389,786	44,935,850
Depreciation and amortization expense	21	2,761,554	409,168
Total expenses	(B)	2,030,907,025	1,068,693,652
Profit before tax	(C) = (A)-(B)	1,698,989,083	1,173,917,332
Tax expense:			
Current tax		616,191,461	400,165,400
Deferred tax		- 24,852,839	(7,893,113)
Profit for the year		1,107,650,460	781,645,045
Earnings per equity share (Face Value ₹ 10 per share)			
Basic			
Computed on the basis of total profit for the year		3.29	2.88
Diluted			
Computed on the basis of total profit for the year		3.29	2.88
Summary of significant accounting policies	2.1		

The accompanying notes are forming part of financial statements

As per our attached report of even date

For S.R. BATLIBOI & CO. LLP

Firm Registration No.301003E

Chartered Accountants

per Jitendra H. Ranawat

Partner

Membership No. :- 103380

Place: Mumbai

Date: April 12, 2016

For and on behalf of the board of Axis Finance Limited

Srinivasan Varadarajan

Chairman

DIN No : 00033882

Amith Iyer

Chief Financial Officer

Bipin Kumar Saraf

Managing Director

DIN No : 06416744

Rajneesh Kumar

Company Secretary

Membership No: A31230

CASH FLOW STATEMENT

for the year ended March 31, 2016

Amount In ₹

	For the Year ended March 31, 2016	For the Year ended March 31, 2015
A. Cash flow from operating activities		
Profit before tax	1,698,989,083	1,173,917,332
Adjustments for:		
Depreciation	2,761,554	409,168
Provision against standard assets	71,852,459	25,289,300
Amortization of debenture premium	-	(1,430,915)
Interest on fixed deposit and debentures	-	(5,603,427)
Operating profit before working capital changes	1,773,603,096	1,192,581,458
Movement in working capital:		
Decrease/(increase) in long term loan & advances	(2,079,779,275)	(1,824,617,575)
Decrease/(increase) in short term loan & advances	(8,003,882,732)	(8,086,251,519)
Decrease/(increase) in trade receivables	30,775,120	(30,724,558)
Decrease/(increase) in other current assets	(83,979,137)	6,564,170
Decrease/(increase) in other non current assets	(12,885,313)	(7,640,605)
Increase/(decrease) in short term provisions	4,895,016	1,096,384
Increase/(decrease) in other current liabilities	(525,682,698)	1,151,965,694
Increase/(decrease) in Long term provisions	1,063,458	-
Cash generated from operations	(8,895,872,466)	(7,597,026,551)
Income tax paid	(627,133,689)	(400,878,155)
Net cash flow from operating activities (A)	(9,523,006,155)	(7,997,904,706)
B. Cash flow from investing activities		
Interest received on fixed deposit and NCD	-	5,603,427
Purchase of fixed assets	(2,927,681)	(2,161,253)
Payment for Intangibles	(8,067,008)	(8,002,447)
Maturity of bank deposits	-	170,000,000
Proceeds from sale of investment	211,162,009,222	74,493,639,498
Purchase of investment	(200,034,589,011)	(87,133,353,196)
Net cash flow from investing activities(B)	11,116,425,522	(12,474,273,971)

Amount In ₹

	For the Year ended March 31, 2016	For the Year ended March 31, 2015
C. Cash flow from financing activities		
Proceeds from borrowings (net of repayment)	(1,941,088,217)	19,573,088,591
Proceed from issue of shares (net of issue expenses)	999,000,000	999,000,000
payment of dividend	(753,468,960)	
Net cash flow from financing activities(C)	(1,695,557,177)	20,572,088,591
Net increase/(decrease) in cash and equivalents(A+B+C)	(102,137,810)	99,909,914
Cash and cash equivalents at the beginning of the year	103,595,287	3,685,373
Cash and cash equivalents at the end of the year	1,457,477	103,595,287
Note:	March 31, 2016	March 31, 2015
Cash and cash equivalents includes:		
Cash	970	3,795
Balance with banks	1,456,507	103,591,492
	1,457,477	103,595,287

The accompanying notes are forming part of financial statements

As per our attached report of even date

For S.R. BATLIBOI & CO. LLP
Firm Registration No.301003E
Chartered Accountants

For and on behalf of the board of Axis Finance Limited

per Jitendra H. Ranawat
Partner
Membership No. :- 103380

Srinivasan Varadarajan
Chairman
DIN No : 00033882

Bipin Kumar Saraf
Managing Director
DIN No : 06416744

Place: Mumbai
Date: April 12, 2016

Amith Iyer
Chief Financial Officer

Rajneesh Kumar
Company Secretary
Membership No: A31230

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

Category	Amount net of provisions as at Mar 31, 2016			Amount net of provisions as at Mar 31, 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties **						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	-	-	-	-	-	-
2. Other than related parties	29,336,163,722	1,700,000,000	31,036,163,722	19,703,201,496	1,250,000,000	20,953,201,496
Total	29,336,163,722	1,700,000,000	31,036,163,722	19,703,201,496	1,250,000,000	20,953,201,496

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

Category	Market Value / Break up or fair value or NAV* as at Mar 31, 2016	Book Value (Net of Provisions) as at Mar 31, 2016	Market Value / Break up or fair value or NAV* as at Mar 31, 2015	Book Value (Net of Provisions) as at Mar 31, 2015
1. Related Parties **				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	2,503,065,085	2,411,756,861	13,553,419,164	13,539,177,074
Total	2,503,065,085	2,411,756,861	13,553,419,164	13,539,177,074

* Disclosure is made in respect of available information

** As per Accounting Standard of ICAI (Please see Note 3)

(7) Other information

Particulars	2016 Amount	2015 Amount
(i) Gross Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	-	-
(ii) Net Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	-	-
(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 Systemically Important 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 calculation 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 FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

1. CORPORATE INFORMATION

Axis Finance Limited is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company is a non-deposit accepting non-banking finance Company or NBFC-ND-SI registered with Reserve Bank of India (RBI). The Company is engaged in the business of financing of loans.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The Company follows the prudential norms issued by Reserve Bank of India for asset classification, income recognition and provisioning for non-performing assets. Besides, additional amount is written/off provided for where the management, on a review, considers it necessary.

Summary of significant accounting policies

I. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, 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.

II. Revenue recognition

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. The following specific recognition criteria must also be met before revenue is recognized:

- Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by RBI.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- Dividend is accounted when the right to receive is established.
- Front end fees on processing of loans are recognised upfront as income.
- Profit/(loss) earned on sale of investments is recognised on trade date basis. Profit/(loss) on sale of investments is determined based on the 'weighted average' cost for investments.
- All other fees are recognized when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due.
- Other revenue is recognized on accrual basis and no significant uncertainty exists as to its realization or collection.

III. Tangible and intangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from de-recognition 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.

IV. Depreciation and amortization

Depreciation and amortization on fixed assets is calculated on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management. The identified components are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset. The Company has used the following rates to provide depreciation and amortization on its Fixed assets.

Assets	Estimated Useful Life (in years)
Tangible Assets:	
Computers	3
Servers	6
Furniture & Fixtures	10
Office Equipment	5
Vehicles	4
Intangible Assets:	
Software	5

The management has estimated, supported by independent assessment by professionals, the useful life of the following class of asset.

- Vehicles are depreciated over the estimated useful life of 4 years which is lower than those indicated in schedule II.

V. Impairment of 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 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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 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.

VI. Provisioning / write-off of assets

Non-performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision against loans and advances:

Provision on Standard Assets i.e. loans and advances is made at 0.40%.

VII. Loans

Advances are classified into performing and non-performing advances ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made for sub-standard and doubtful assets at rates as prescribed by the RBI.

VIII. Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for investments' as notified under the Companies (Accounting Standards) Rules, 2006. 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.

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 the 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.

IX. Borrowing costs

Borrowing costs directly attributable to acquisition and construction of qualifying assets are capitalised as a part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged to the statement of Profit and Loss.

X. Taxes on income

- a. 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
- b. 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.
- c. 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.
- d. 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, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

- e. 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 reasonable certain or virtually certain 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 virtually certain, as the case may be, that sufficient future taxable income will be available.
- f. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

XI. Retirement and other employee benefits

Provident fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Gratuity

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

Leave encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the year end. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date.

Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date

XII. Leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

XIII. Contingent liabilities and provisions

A provision is recognized when the Company has a present obligation as a result of past event; 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 of the amount of obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

XIV. Earning per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting and attributable taxes) by the weighted average number of equity shares outstanding during the year.

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 year are adjusted for the effects of all dilutive potential equity shares.

XV. Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and on hand, fixed deposits and short-term highly liquid investments with an original maturity of three months or less are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalent does not include fixed deposit which is lien marked against borrowing.

3. SHARE CAPITAL

	March 31, 2016 ₹	March 31, 2015 ₹
Authorized:		
1,000,000,000 (31 March 2015: 330,000,000) equity shares of ₹10/- each	10,000,000,000	3,300,000,000
	10,000,000,000	3,300,000,000
Issued, subscribed and fully paid-up:		
368,250,000 (31 March 2015: 318,250,000) equity shares of ₹10/- each	3,682,500,000	3,182,500,000

(a) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period

	March 31, 2016		March 31, 2015	
	No.	₹	No.	₹
At the beginning of the year	318,250,000	3,182,500,000	255,750,000	2,557,500,000
Issued during the year	50,000,000	500,000,000	62,500,000	625,000,000
Outstanding at the end of the year	368,250,000	3,682,500,000	318,250,000	3,182,500,000

(b) Terms/right attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

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

(d) Shares held by holding/ultimate holding Company and/or their subsidiaries/associates

Out of equity shares issued by the Company, shares held by its holding Company, ultimate holding Company and their subsidiaries/ associates are as below:

Name of shareholder	March 31, 2016 ₹	March 31, 2015 ₹
Axis Bank Limited, the holding Company and its nominees		
368,250,000 (March 31, 2015: 318,250,000) equity shares of ₹10/- each	3,682,500,000	3,182,500,000

(e) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	March 31, 2016		March 31, 2015	
	No.	% of holding	No.	% of holding
Equity shares of ₹10 each fully paid				
Axis Bank Limited, the holding Company and its nominees	368,250,000	100%	318,250,000	100%

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

4. RESERVES AND SURPLUS

	March 31, 2016 ₹	March 31, 2015 ₹
Security premium reserve		
Balance as per last Balance Sheet	1,200,000,000	826,000,000
Add:- Addition during the year	500,000,000	375,000,000
Less:- Utilization during the year against share issue expense	1,000,000	1,000,000
Balance at the end of the year	1,699,000,000	1,200,000,000
Statutory reserve u/s 45-IC of RBI Act		
Balance as per last Balance Sheet	304,500,000	148,100,000
Add:- Addition during the year	221,600,000	156,400,000
Balance at the end of the year	526,100,000	304,500,000
Surplus in the statement of profit and loss		
Balance as per last Balance Sheet	1,214,690,619	589,445,574
Profit for the year	1,107,650,460	781,645,045
Less:-Interim Dividend (Appropriation) FY 2015-16	(626,025,000)	-
Less:-Tax on interim dividend	(127,443,960)	-
Less:-Transfer to statutory reserve	(221,600,000)	(156,400,000)
Balance at the end of the year	1,347,272,119	1,214,690,619
Total	3,572,372,119	2,719,190,619

5. LONG TERM BORROWINGS

	Non-current		Current maturities*	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Debentures : Secured	6,104,000,000	2,884,000,000	250,000,000	1,100,000,000
Indian rupee term loan from bank : Secured	100,789,863	-	-	-
Total	6,204,789,863	2,884,000,000	250,000,000	1,100,000,000

a. Indian rupee term loan carries interest @9.30% p.a. The loan is repayable on bullet payment after 2 years. It is secured by hypothecation of receivable of the company.

* Amount disclosed under the head 'Other Liabilities' (Refer Note No.7).

b. Security details for Secured non convertible debentures

Debentures are secured by: 1. First charge by way of mortgage on immovable property. 2. Pari passu charge by way of hypothecation of book debts and account receivable upto 1 time cover.

c. Particulars of Secured non convertible debentures

Particulars	Face Value	Quantity	Date of Redemption	As at March 31, 2016	As at March 31, 2015
8.7535% AFL 21/01/2016	1,000,000	500	January 21, 2016	-	500,000,000
Zero% AFL, 20th November 2017	1,000,000	300	November 20, 2017	300,000,000	300,000,000
Zero% AFL, 20th November 2017	1,000,000	70	November 20, 2017	70,000,000	70,000,000
Zero% AFL, 20th November 2017	1,000,000	130	November 20, 2017	130,000,000	130,000,000
Zero% AFL, 3rd March 2017	1,000,000	250	March 03, 2017	250,000,000	250,000,000
8.5565% AFL 3rd March 2016	1,000,000	600	March 03, 2016	-	600,000,000
Zero% AFL, 12th April 2018	1,000,000	150	April 12, 2018	150,000,000	150,000,000
Zero% AFL, 10th April 2018	1,000,000	130	April 10, 2018	130,000,000	130,000,000
Zero% AFL, 10th April 2018	1,000,000	70	April 10, 2018	70,000,000	70,000,000
8.84% AFL , 08th March 2018	1,000,000	50	March 08, 2018	50,000,000	50,000,000
8.7944% AFL, 24th April 2018	1,000,000	180	April 24, 2018	180,000,000	180,000,000
8.7731% AFL, 28th March 2018	1,000,000	500	March 28, 2018	500,000,000	500,000,000
Zero% AFL, 2nd May 2017	1,000,000	384	May 02, 2017	384,000,000	384,000,000
Zero% AFL, 10th April 2017	1,000,000	110	April 10, 2017	110,000,000	110,000,000
Zero% AFL, 10th April 2017	1,000,000	60	April 10, 2017	60,000,000	60,000,000
Zero% AFL, 3rd April 2018	1,000,000	350	April 03, 2018	350,000,000	350,000,000
Zero% AFL, 27th March 2018	1,000,000	150	March 27, 2018	150,000,000	150,000,000
Zero % AFL ,05 OCT 2018	1,000,000	70	Oct 05, 2018	70,000,000	-
Zero % AFL ,23 OCT 2018	1,000,000	420	Oct 23, 2018	420,000,000	-
Zero % AFL ,29 OCT 2018	1,000,000	280	Oct 29, 2018	280,000,000	-
8.53% AFL,27th November 2017	1,000,000	250	Nov 27, 2017	250,000,000	-
8.85% AFL 29 JAN 2019	1,000,000	100	Jan 29, 2019	100,000,000	-
ZERO % AFL,25 MAR 2019	1,000,000	1500	Mar 25, 2019	1,500,000,000	-
Zero % AFL ,15TH JAN 2019	1,000,000	50	Jan 15, 2019	50,000,000	-
8.79%AFL 9 TH APR 2019	1,000,000	500	Apr 9, 2019	500,000,000	-
Zero % AFL ,19TH JUL 2019	1,000,000	100	Jul 19, 2019	100,000,000	-
Zero % AFL ,25TH APRIL 2019	1,000,000	50	Apr 25, 2019	50,000,000	-
Zero % AFL ,06TH MAY 2019	1,000,000	50	May 06, 2019	50,000,000	-
Zero % AFL ,28TH JUNE 2019	1,000,000	100	June 28, 2019	100,000,000	-
Total				6,354,000,000	3,984,000,000

The above Non Convertible Debentures are classified as under:	As at March 31, 2016	As at March 31, 2015
Non-current long term borrowings	6,104,000,000	2,884,000,000
Current maturities of long term borrowings	250,000,000	1,100,000,000
Total	635,40,00,000	3,98,40,00,000

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

6. SHORT TERM BORROWINGS

	March 31, 2016 ₹	March 31, 2015 ₹
Secured		
Loan from banks	7,431,169,524	4,511,121,436
Unsecured		
Loan from banks	971,747,988	320,687,445
Unsecured commercial paper	11,150,000,000	20,180,000,000
Less: Unexpired Discount	(117,272,409)	- 314,285,698
Total	19,435,645,103	24,697,523,183

Short term borrowings amount to ₹ 7,431,169,524 (previous year ₹ 4,511,121,435) referred above are secured by pari passu first charge on all present and future book debts, receivables, loan assets of the Company. These carry interest @ 9.30% to 10.25%.

Unexpired discount on commercial paper is net of ₹ 117,272,409 (previous year ₹ 314,285,698) towards interest accrued but not due. These carry interest @ 8.47% to 9.20%. In respect of commercial paper maximum amount outstanding during the year was ₹ 41,458,898,967 (previous year ₹ 19,880,523,112).

7. OTHER LIABILITIES

	Long term		Short term	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Current maturities of long term borrowings	-	-	250,000,000	1,100,000,000
Interest accrued but not due	349,793,603	31,296,176	27,506,556	23,971,355
Interest received in advance	-	-	-	84,760
Creditors for expenses				
-Due to holding Company 'Axis Bank Limited'	-	-	7,063,752	6,439,752
-Due to others	-	-	8,216,785	4,820,530
-Undisputed statutory dues	-	-	377,831	2,028,652
Total	349,793,603	31,296,176	293,164,924	1,137,345,049

8. PROVISIONS

	Long term		Short term	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Provision against standard assets	38,002,387	18,552,044	88,239,372	35,837,256
Provision for expenses			1,528,062	
Provision for employee benefits				
- Provision for compensated absences	1,063,458	-	239,160	1,035,016
- Provision for gratuity	-	-	105,033	819,223
- Employee benefit payable	-	-	13,000,000	8,123,000
Total	39,065,845	18,552,044	103,111,627	45,814,495

9. FIXED ASSETS

(Amount in Indian Rupees)

Particulars	Gross block				Depreciation				Net block	
	As at April 01, 2015	Addition during the year	Deductions/ Adjustments	As at Mar 31, 2016	As at April 01, 2015	Provided during the year	Deductions/ Adjustments	As at Mar 31, 2016	As at Mar 31, 2016	As at Mar 31, 2015
A. Tangible assets :										
Computers	1,241,942	2,898,881	-	4,140,823	311,080	672,030	-	983,110	3,157,713	930,862
Office equipment	276,893	28,800	-	305,693	77,338	195,274	-	272,612	33,081	199,555
Furniture & fixtures	100,223	-	-	100,223	15,953	10,035	-	25,988	74,235	84,270
Vehicles	651,427	0	-	651,427	33,018	326,538	-	359,556	291,871	618,409
Land and Building	450,000	-	-	450,000	2,836	7,602	-	10,438	439,562	447,164
Total - Tangible Assets (A)	2,720,485	2,927,681	-	5,648,166	440,225	1,211,479	-	1,651,704	3,996,462	2,280,260
B. Intangible Assets :										
Software	435,091	15,379,365	-	15,814,456	51,972	1,550,075	-	1,602,047	14,212,409	383,119
Total - Intangible Assets (B)	435,091	15,379,365	-	15,814,456	51,972	1,550,075	-	1,602,047	14,212,409	383,119
Total (A+B)	3,155,576	18,307,046	-	21,462,622	492,197	2,761,554	-	3,253,751	18,208,871	2,663,379
Capital Work-in-Progress									255,001	7,567,358
Total									18,463,872	10,230,737

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

10. INVESTMENT

	Non current		Current Maturities	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Investment in debenture/bonds (valued at cost unless stated otherwise)				
<u>Quoted</u>				
110 (Previous year 110) Annapurna Microfinance Private Limited (redeemable on 15 April 2016)	-	30,018,106	2,518,106	-
110 (Previous year 110) Arohan Financial Services Private Limited (redeemable on 15 April 2016)	-	29,977,841	2,477,841	-
66 (Previous year 66) Asirvad Micro Finance Private Limited (redeemable on 15 April 2016)	-	18,010,863	1,510,863	-
900 (Previous year 500) Dalmia Bharat Cement Limited	900,000,000	-	-	500,000,000
100 (Previous year 100) Disha Microfin Private Limited (redeemable on 15 April 2016)	-	27,179,200	2,179,200	-
110 (Previous year 110) Future Financial Services Ltd (redeemable on 15 April 2016)	-	29,897,120	2,397,120	-
78 (Previous year 78) India School Finance Company (redeemable on 15 April 2016)	-	21,285,566	1,785,566	-
77 (Previous year 77) Intrepid Finance and Leasing Private Limited (redeemable on 15 April 2016)	-	21,040,769	1,790,769	-
110 (Previous year 110) Pahal Financial Services (redeemable on 15 April 2016)	-	30,018,106	2,518,106	-
132 (Previous year 132) Suryoday Microfinance Private Limited (redeemable on 15 April 2016)	-	35,827,995	2,827,995	-
Nil (Previous year 89) Svasti Microfinance Private Limited (redeemable on 15 April 2015)	-	-	-	3,718,212
150 (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2018)	150,000,000	-	-	-
150 (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2019)	150,000,000			
150 (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2020)	150,000,000			
150 (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2021)	150,000,000			
150 (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2022)	150,000,000			
99 (Previous year 99) SV Creditline Private Limited (redeemable on 15 April 2016)	-	27,016,295	2,266,295	-
4,420 (Previous year 4,420) 8.67% National Hydroelectric Power Corporation (redeemable on 02 November 2033)	4,420,000	4,420,000	-	-
767 (Previous year 767) 8.67% Power Finance Corporation Limited (redeemable on 16 November 2033)	767,000	767,000	-	-
121,093 (Previous year NIL) 7.35% Indian Railway Finance Corporation Limited (redeemable on 22 March 2031)	121,093,000			

	Non current		Current Maturities	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
103,205 (Previous year NIL) 7.35% National Bank For Agriculture And Rural Development (redeemable on 23 March 2031) <u>Unquoted</u>	103,205,000			
510 (Previous year 760) Azalea Enterprises Private Limited (redeemable on 16 March 2019) Investment in Mutual funds (valued at lower of cost or market value) <u>Unquoted</u>		760,000,000	510,000,000	-
Axis Liquid Fund - IP - Growth	-	-	-	12,000,000,000
Total	1,879,485,000	1,035,458,861	532,271,861	12,503,718,212

1. Aggregate amount of quoted investment at market value ₹ 1,936,760,312 (Previous year ₹ 794,162,215).
2. Aggregate amount of unquoted investments at cost ₹ 510,000,000 (Previous year 12,760,000,000).

11. LOANS

	Non current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Secured loans	9,500,596,850	7,420,817,575	19,835,566,872	12,282,383,922
Unsecured loans	-	-	1,700,000,000	1,250,000,000
Total	9,500,596,850	7,420,817,575	21,535,566,872	13,532,383,922

The classification of loans under RBI guidelines is as under:

	March 31, 2016 ₹	March 31, 2015 ₹
(i) Standard assets	31,036,163,722	20,953,201,496
(ii) Sub-standard assets	-	-
(iii) Doubtful assets	-	-
(iv) Loss assets	-	-
Total **	31,036,163,722	20,953,201,496

The above Loans are classified as under:

	As at March 31, 2016	As at March 31, 2015
Non-current secured loans	9,500,596,850	7,420,817,575
Current secured and unsecured loans	21,535,566,872	13,532,383,922
Total	31,036,163,722	20,953,201,497

**Loans to the extent of ₹ 29,33,61,63,722 (previous year ₹ 19,703,201,496) are secured by:

- (i) Hypothecation of assets and/or
- (ii) Mortgage of property and/or
- (iii) The company has also taken corporate guarantee/personal guarantee of corporate/directors in certain cases over and above of security (disclosed above).
- (iv) Pledge of shares & other financial securities.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

12. OTHERS

	Non-current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Other loans and advances				
Security deposits, unsecured, considered good	6,500,000	6,500,000	-	-
Advance tax (net of provision for tax)	32,067,744	21,125,516	-	-
Prepaid expenses	-	-	4,148,297	3,452,652
Other advances	-	-	24,987	20,850
Total	38,567,744	27,625,516	4,173,284	3,473,502

13. TRADE RECEIVABLES AND OTHER ASSETS

13.1 Trade receivables

	Non-current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	-	-
Doubtful	-	-	-	-
Provision for doubtful receivables	-	-	-	-
(A)	-	-	-	-
Outstanding for a period less than six months from the date they are due for payment				
Unsecured, considered good	-	-	-	30,775,120
Doubtful	-	-	-	-
Provision for doubtful receivables	-	-	-	30,775,120
(B)	-	-	-	30,775,120
Total (A) + (B)	-	-	-	30,775,120

13.2 Other assets

	Non current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Interest accrued but not due on others	20,525,918	7,640,605	106,305,189	22,326,052
Total	20,525,918	7,640,605	106,305,189	22,326,052

14. CASH AND BANK BALANCES

	Non current		Current	
	March 31, 2016 ₹	March 31, 2015 ₹	March 31, 2016 ₹	March 31, 2015 ₹
Cash and cash equivalents:				
- Cash on hand	-	-	970	3,795
Balances with banks:				
- On current accounts	-	-	1,456,507	103,591,492
- On overdraft accounts	-	-	-	-
- Deposits with original maturity for less than 3 months	-	-	-	-
A	-	-	1,457,477	103,595,287
Other bank balances				
- Deposits with original maturity for more than 12 months	-	-	-	-
- Deposits with original maturity for more than 12 months under lien	-	-	-	-
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	-	-
- Deposits with original maturity for more than 3 months but less than 12 months under lien	-	-	-	-
B	-	-	-	-
Total (A+B)	-	-	1,457,477	103,595,287

15. REVENUE FROM OPERATIONS

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Interest income		
Interest income on loans	3,083,340,732	1,748,601,140
Interest income on investments	169,098,718	84,197,450
Other operating revenue		
Income from processing fees	336,933,915	256,759,327
Income from advisory fees	61,500,000	49,450,000
Profit on sale of investments	77,913,424	92,440,424
Other operating Income	1,109,319	5,559,216
Total	3,729,896,108	2,237,007,557

16. OTHER INCOME

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Interest on fixed deposit	-	5,603,427
Total	-	5,603,427

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

17. EMPLOYEE BENEFITS EXPENSE

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Salaries, Wages and Bonus	77,253,742	62,372,817
Contribution to provident & other funds	2,041,668	1,318,820
Gratuity Expense	105,033	765,269
Staff welfare	1,279,114	440,330
Total	80,679,557	64,897,236

18. FINANCE COSTS

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Interest on loan from bank and other financial expenses	1,792,198,974	921,280,653
Other finance expenses	20,024,696	11,881,445
Total	1,812,223,670	933,162,098

19. PROVISIONS AND WRITE OFF

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Provision against standard assets	71,852,459	25,289,300
Total	71,852,459	25,289,300

20. OTHER EXPENSES

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Rent, Rates and Taxes	10,088,800	9,614,028
Electricity expenses	973,299	909,012
Repairs and maintenance - others	2,154,075	1,606,961
Printing and stationery	335,391	237,282
Travelling and conveyance	6,982,874	2,906,074
Professional fees	11,790,130	6,217,480
CSR expenditure (Refer Note 57)	12,224,577	5,356,390
Director sitting fees	1,700,000	150,000
Auditor's remuneration:		
Statutory audit	1,750,000	1,400,000
Statutory audit certification fee	300,000	210,000
Telephone and internet expenses	1,734,873	537,944
Business promotion	1,476,947	1,839,188
Rates & taxes	607,939	642,190
Service charges	1,853,284	1,024,865
Office expenses	1,414,777	1,017,693
Miscellaneous expenses	8,002,820.18	11,266,742
Total	63,389,786	44,935,850

21. DEPRECIATION AND AMORTIZATION EXPENSE

	For the year ended March 31, 2016 ₹	For the year ended March 31, 2015 ₹
Tangible assets	1,211,479	357,196
Intangible assets	1,550,075	51,972
Total	2,761,554	409,168

22. Estimated amount of contracts remaining to be executed on capital account – ₹ 26,99,014 (Previous Year ₹ 1,515,000).
23. There is no contingent liability as at March 31, 2016 (previous year ` Nil).
24. There are no restructured loans as at March 31, 2016 (previous year ` Nil).
25. Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings per share"

Particulars		2015 – 2016 ₹	2014 – 2015 ₹
Basic			
Profit after tax as per Statement of Profit and Loss	A	1,107,650,457	781,645,045
Weighted Average Number of Shares	B	336,829,235	271,160,959
Basic Earnings per share	A/B	3.29	2.88
Diluted			
Adjusted Profit after tax	C	1,107,650,457	781,645,045
Weighted Average Number of Shares	D	336,829,235	271,160,959
Diluted Earnings per share	C/D	3.29	2.88
Nominal Value per share		10	10

26. Segment Information :

The Company is engaged primarily in the business of financing of loans and its business operations are concentrated in India. Accordingly, there are no separate business segments and geographical segments as per Accounting Standard 17 - Segment Reporting issued by The Institute of Chartered Accountants of India.

27. Related Parties disclosure:

Disclosure in respect of Related Parties pursuant to Accounting Standard – 18:

List of Related Parties:-

Parties where control exists: Holding Company

Axis Bank Limited ("ABL")

Fellow subsidiaries companies

Axis Private Equity Limited ("APEL")

Axis Securities Limited ("ASL")

Axis Mutual Fund Trustee Limited ("AMFTL")

Axis Trustee Services Limited ("ATSL")

Axis Asset Management Company Limited ("AAMCL")

Axis Bank U.K. Limited ("ABUKL")

Axis Capital Limited ("ACL")

Axis Securities Europe Limited ("ASEL")

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

Key management person

Mr. Bipin K Saraf, MD

Transactions with related parties

Particulars	Holding Company ₹	Fellow Subsidiary ₹	Key Management Personnel ₹	Total ₹
Income				
Processing fees (ABL)	98,877,989	-	-	98,877,989
	(27,901,326)	(-)	(-)	(27,901,326)
Interest on fixed Deposit (ABL)	-	-	-	-
	(5,603,427)	(-)	(-)	(5,603,427)
Dividend Received (AAMCL)	-	-	-	-
	(-)	(1,396,164)	(-)	(1,396,164)
Gratuity Received (ACL)	-	-	-	-
	(-)	(53,954)	(-)	(53,954)
Capital Receipts and Payments				
Purchase of fixed asset (ABL)	-	-	-	-
	(651,427)	(-)	(-)	(651,427)
Issue of Equity Share Capital (Including Share premium) (ABL)	1,000,000,000	-	-	1,000,000,000
	(1,000,000,000)	(-)	(-)	(1,000,000,000)
Investment in Preference Shares (AAMCL)	-	-	-	-
	(-)	(200,000,000)	(-)	(200,000,000)
Redemption of Preference Shares (AAMCL)	-	-	-	-
	(-)	(200,000,000)	(-)	(200,000,000)
Expenses				
Dividend Paid (ABL)	626,025,000	-	-	626,025,000
	(-)	(-)	(-)	(-)
Rent paid (ABL)	9,612,300	-	-	9,612,300
	(9,612,300)	(-)	(-)	(9,612,300)
Rent paid (ASL)	-	256,500	-	256,500
	(-)	(-)	(-)	(-)
Bank charges (ABL)	8,774	-	-	8,774
	(9,715)	(-)	(-)	(9,715)
Reimbursement of staff cost (ABL)	29,080,849	-	-	29,080,849
	(26,979,669)	(-)	(-)	(26,979,669)
Interest paid on borrowings (ABL)	18,102,981	-	-	18,102,981
	(15,900,549)	(-)	(-)	(15,900,549)
Internet charges paid (ASL)	-	112,738	-	112,738
	(-)	(117,572)	(-)	(117,572)
Demat Charges (ASL)	-	39,476	-	39,476
	(-)	(71,898)	(-)	(71,898)

Particulars	Holding Company ₹	Fellow Subsidiary ₹	Key Management Personnel ₹	Total ₹
Demat Charges (ABL)	20,242	-	-	20,242
	(-)	(-)	(-)	(-)
Professional fees (ATSL)	-	1,000,000	-	1,000,000
	(-)	(500,000)	(-)	(500,000)
Salary, Rent and contribution to PF	-	-	11,128,033	11,128,033
	(-)	(-)	(10,420,407)	(10,420,407)
Service charges (ACL)	-	1,280,492	-	1,280,492
	(-)	(995,564)	(-)	(995,564)
Other Reimbursement of Expenses (ABL)	6,006,909	-	-	6,006,909
	(5,976,868)	(-)	(-)	(5,976,868)
Closing Balance				
Share Capital (ABL)	3,682,500,000	-	-	3,682,500,000
	(3,182,500,000)	(-)	(-)	(3,182,500,000)
Sundry receivables (ABL)	-	-	-	-
	(-)	(-)	(-)	(-)
Short term borrowings (ABL)	971,747,988	-	-	971,747,988
	(320,687,445)	(-)	(-)	(320,687,445)
Interest receivable (ABL)	-	-	-	-
	(-)	(-)	(-)	(-)
Current account balance (ABL)	1,035,813	-	-	1,035,813
	(101,457,220)	(-)	(-)	(101,457,220)
Processing fees Receivable (ABL)	-	-	-	-
	(17,571,610)	(-)	(-)	(17,571,610)
Sundry payables (ABL)	7,063,752	-	-	7,063,752
	(6,439,752)	(-)	(-)	(6,439,752)
Sundry payables (ASL)	-	44,159	-	44,159
	(-)	(25,583)	(-)	(25,583)
Sundry payables (ATSL)	-	-	-	-
	(-)	(-)	(-)	(-)
Sundry payables (ACL)	-	-	-	-
	(-)	(-)	(-)	(-)

Note: -

1. Related party relationships and transactions have been identified by the Management and relied upon by the Auditors.
2. The remuneration to the key managerial person does not include provisions made for gratuity and leave benefits as they are determined on actuarial basis for the Company as a whole.
3. Figures in bracket pertain to previous year.

28. Gratuity and other benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Net employee benefit expense (recognized in employee cost)*:

	2015-16 (₹)	2014-15 (₹)
Current service cost	309,318	179,382
Interest cost on benefit obligation	215,371	175,494
Expected return on plan assets	(150,243)	(23,399)
Net actuarial (gain)/loss recognized in the year	(269,041)	488,014
Past service cost	-	-
Transferred from group Company	-	-
Net benefit expense/(income)	105,405	819,491

Provision for gratuity recognized in Balance Sheet*:

	2015-16 (₹)	2014-15 (₹)
Projected benefit obligation	(3,124,216)	(2,709,067)
Fair value of plan assets	3,019,183	1,889,884
Less: Unrecognised past service cost	-	-
Plan liability	105,033	819,223

Actual return on plan assets

	2015-16 (₹)	2014-15 (₹)
Expected return on plan assets	150,243	23,399
Actuarial gains/(losses) on plan assets	159,501	(4,757)
Actual Return on plan assets	309,744	18,642

Changes in the present value of the projected benefit obligation are as follows*:

	2015-16 (₹)	2014-15 (₹)
Opening projected benefit obligation	2,709,067	1,870,934
Interest cost	215,371	175,494
Current service cost	309,318	179,382
Liability transferred in	-	-
Actuarial (gains)/losses on obligation	(109,540)	483,257
Closing projected benefit obligation	3,124,216	2,709,067

Changes in the fair value of plan assets are as follows*:

	2015-16 (₹)	2014-15 (₹)
Opening fair value of plan assets	1,889,844	249,457
Expected return	150,243	23,399
Contributions by employer	819,595	1,621,745
Benefits paid	-	-
Actuarial gains/(losses)	159,501	(4,757)
Closing fair value of plan assets	3,019,183	1,889,844

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows*:

Gratuity

	March 31, 2016	March 31, 2015
Investment with insurer	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below*:

	2015-16	2014-15
Discount rate	7.96%	7.95%
Expected rate of return on assets	7.96%	7.95%
Employee turnover	5.00%	5.00%
Salary escalation rate	7.00%	7.00%

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.

Amounts for the current periods are as follows*:

	2015-16 (₹)	2014-15 (₹)
Projected benefit obligation	3,124,216	2,709,067
Plan assets	3,019,183	1,889,844
(Surplus) /deficit	105,033	819,223
Experience adjustments on plan liabilities	-	-
Experience adjustments on plan assets	-	-

*Information provided to the extent available with the Company.

29. Deferred taxation:

In accordance with Accounting Standard 22 "Accounting for Taxes on Income" (AS 22), the Company has accounted for deferred taxes during the year. Deferred tax comprises of timing difference on account of following:-

Deferred Tax Asset/(Liability)	2015-16 (₹)	2014-15 (₹)
Depreciation	(1,111,541)	(124,603)
Provision for leave encashment	450,810	(186,142)
Contingent provision on standard assets	43,689,748	18,486,923
Total	43,029,017	18,176,178

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

30. Information related to Micro, Small and Medium Enterprises Development Act, 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company. There is no outstanding balance due to such parties at year end. (Previous year ₹ Nil).
31. Foreign currency expenditure and foreign currency income during the year was nil (previous year nil).
32. **Capital to Risk-Asset Ratio (CRAR)**

Sl. No.	Items	2015-16	2014-15
(i)	CRAR (%)	21.81%	17.18%
(ii)	CRAR- Tier I Capital (%)	21.43%	17.02%
(iii)	CRAR- Tier II Capital (%)	0.38%	0.16%
(iv)	Amount of subordinated debt raised as Tier-II capital	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

33. **Exposure to Real Estate Sector**

Particulars	2015-16 ₹	2014-15* ₹
a) Direct Exposure		
(i) Residential Mortgages	264,332,864.64	20,111,449
(ii) Commercial Real Estate	9,618,773,554.86	5,969,861,325
(iii) Investment in Mortgage Backed Securities(MBS) and other securitised exposures		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
b) Indirect Exposure	-	-
Total Exposure to Real Estate Sector	9,883,106,419.50	5,989,972,774

34. No frauds have been reported during the current year and previous year.
35. The Company has not entered into any derivative transaction (including forward rate agreement /interest rate swap/ Exchange Traded Interest Rate (IR) Derivatives) during the current year and previous year and there is no outstanding derivative transaction as on 31 March 2016 and 31 March 2015 respectively.
36. There has not been any limit exceeded for single borrower limit and group borrower limit by the Company in current year and previous year.
37. There are no advances/projects financed by the Company wherein intangible security such as rights, licences, authorizations etc. are charged as collateral.
38. There are no registrations obtained from other financial sector regulator (other than RBI) by the Company in current year and previous year.
39. There have not been any penalties imposed by RBI and other regulators on the Company in current year and previous year.

40. India Ratings and Research Private Limited has accredited the following ratings to the Company.

Name of Rating Agency	Type	Ratings	Amount (₹ in crores)	Tenure	Validity
India Ratings and Research Private Limited	Long term	IND AAA	1,200	-	Yearly Surveillance
	Short term	IND A1+	5,500	12 months	28 th February 2017

41. During the year, the holding company issued stock options to certain employees of the holding company who are on deputation with the Company. Since these stock options are issued by the holding company directly to the employees of the holding company, and the related costs, if any, will be borne by the holding company, no provision is made in the accompanying financials statements.

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

Financial year 2015-16

Particulars	Upto 30-31 days	Over 1 month upto 2 months	Over 2 month upto 3 months	Over 3 month & upto 6 months	Over 6 month & upto 1 years	Over 1 year and upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
	₹	₹	₹	₹	₹	₹	₹	₹	₹
Deposit	-	-	-	-	-	-	-	-	-
Advances	1,632,336,995	387,403,899	2,572,510,851	3,883,270,771	13,234,326,409	7,686,356,463	1,639,958,333	-	31,036,163,722
Investments	22,271,860	-	-	-	510,000,000	150,000,000	1,200,000,000	529,485,000	2,411,756,860
Borrowings	11,896,555,374	5,086,801,135	1,963,573,157	488,710,914	250,000,000	5,404,789,863	800,000,000	-	25,890,430,443
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

Financial year 2014-15

Particulars	Upto 30-31 days	Over 1 month upto 2 months	Over 2 month upto 3 months	Over 3 month & upto 6 months	Over 6 month & upto 1 years	Over 1 year and upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
	₹	₹	₹	₹	₹	₹	₹	₹	₹
Deposit	-	-	-	-	-	-	-	-	-
Advances	1,452,242,212	370,833,333	1,212,051,526	4,177,028,074	6,790,228,694	6,622,717,575	281,200,000	46,900,000	20,953,201,414
Investments	12,025,990,073	20,666,667	20,666,667	62,000,000	624,000,000	780,666,667	-	5,187,000	13,539,177,074
Borrowings	8,565,989,695	3,461,091,559	3,485,618,916	1,760,508,912	8,524,314,086	1,354,000,000	1,530,000,000	-	28,681,523,168
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

43. Investments

(Amount in ₹)

Particulars	Current Year	Previous Year
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	2,411,756,861	13,539,177,074
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	2,411,756,861	13,539,177,074
(b) Outside India.	-	-
(2) Movement of provisions held towards depreciation on investments.		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

44. There are no securitisation transactions entered into by the Company during the current year and previous year. Also, the Company does not have any securitisation exposures during the current year and previous year.
45. The Company has not sold any financial assets to Securitisation/Reconstruction Company for asset reconstruction and also not undertaken any assignment transactions during the current year and previous year.
46. The Company has not purchased/sold any non performing financial assets during the current year and previous year.
47. There has not been any financing of parent Company products by the Company during the current year and previous year.
48. **Exposure to Capital Market**

(Amount in ₹)

Particulars	2015-16	2014-15
(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;	-	-
(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;	4,529,618,738	1,335,605,140
(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;	11,689,008,857	9,773,698,513
(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;	4,103,563	-

Particulars		2015-16	2014-15
(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		16,222,731,158	11,109,303,653

49. Provisions and Contingencies

The break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account is as below:

Particulars	Current Year ₹	Previous Year ₹
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	616,191,460	400,165,400
Other Provisions and Contingencies		
Provision for Standard Assets	71,852,459	25,289,300
Total	687,454,215	425,454,700

50. There have been no drawn down reserves during the current year and previous year.

51. Concentration of Advances

Particulars	2015-16	2014-15
Total Advances to Twenty Largest Borrowers	₹ 1,590.73 crores	₹ 1145.47 crores
Percentage of Advances to Twenty Largest Borrowers to Total Advances	51.25%	54.67%

52. Concentration of Exposures

Particulars	2015-16	2014-15
Total Exposure to Twenty Largest Borrowers / customers	₹ 1,709.44 crores	₹ 1145.47 crores
Percentage of Exposures to Twenty Largest Borrowers / Customers to Total Exposure of Axis Finance on borrowers / customers	43.68%	53.80%

53. There are no NPAs of the Company for the current year as well as previous year.

54. There are no Off-Balance Sheet SPVs of the Company for the current year as well as previous year.

55. Customer Complaints

	Particulars	2015-16	2014-15
(a)	No. of complaints pending at the beginning of the year	NIL	NIL
(b)	No. of complaints received during the year	NIL	NIL
(c)	No. of complaints redressed during the year	NIL	NIL
(d)	No. of complaints pending at the end of the year	NIL	NIL

56. Previous year figures have been re-grouped, re-classified wherever necessary to conform to current year's presentation.

NOTES FORMING PART OF FINANCIAL STATEMENTS

for the year ended March 31, 2016

57. Amount Spent towards Corporate Social Responsibility (CSR)

	Particulars	2015-16		2014-15
		₹		₹
a)	Gross amount required to be spent by the company during the year	12,224,577		5,356,390
b)	Amount spent during the year ending on 31st March, 2016:	In cash	Yet to be paid in cash	Total
	Construction/acquisition of any asset			
	On purposes other than (i) above	12,224,577	-	12,224,577
b)	Amount spent during the year ending on 31st March, 2015:	In cash	Yet to be paid in cash	Total
	(i) Construction/acquisition of any asset			
	(ii) On purposes other than (i) above	5,356,390	-	5,356,390

The accompanying notes are forming part of financial statements

As per our attached report of even date

For S.R. BATLIBOI & CO. LLP
Firm Registration No.301003E
Chartered Accountants

For and on behalf of the board of Axis Finance Limited

per Jitendra H. Ranawat
Partner
Membership No. :- 103380

Srinivasan Varadarajan
Chairman
DIN No : 00033882

Bipin Kumar Saraf
Managing Director
DIN No : 06416744

Place: Mumbai
Date: April 12, 2016

Amith Iyer
Chief Financial Officer

Rajneesh Kumar
Company Secretary
Membership No: A31230



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