



Annual Report
2016-17



*Today and Tomorrow
Your Partner in Financial Solutions*

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Highlights of the year

We are one of India's fastest growing NBFCs

During FY 2017, our total income has increased by

54%

PAT grew by

49%

During the same period, we have been able to grow our Loan book from ₹ 3,316 crores in FY 2016 to ₹ 4,391 crores in FY 2017, marking a growth of

32%

NIM stood at

5.57%

ROE touched

18.90%

Our Dividend Payout increased

51.75%

to ₹ 95 crores (Net of Dividend Distribution Tax of ₹ 19.2 crores) from ₹ 62.6 crores (Net of Dividend Distribution Tax of ₹ 12.7 crores) in FY 2016.

We continue to remain a

Zero NPA

Financial Service provider. That makes it four years in a row.

We are currently present in

8 metro cities

in India and plan to add 8 Centres in Tier II Cities in FY 2018 to expand our geographical footprint.

We continue to be a **trusted** and **customer-centric** financial services provider. We cater to the **diverse needs** of **Retail, Corporate and Institutional Customers** who have **unique financing requirements**. We have put in place **robust risk management frameworks, invested in technology and human capital** to support business growth. Going forward, we strive to remain proactive, foster robust relationships with our clients and be a preferred financial solutions provider.

Chairman's Message



Dear Shareholders,

Building upon the growth momentum of FY 2016, the Indian economy recorded an impressive growth in FY 2017 as well and remains one of the fastest growing major economies of the world. The officially estimated 7.1% growth in GDP was underpinned by several benign factors like near-normal monsoon, low inflation rates leading to low interest rates, increased government spending on infrastructure, improved performance of agriculture and manufacturing sectors. The Asian Development Bank (ADB) has forecast India's economy to grow at 7.4% during FY 2018, citing an increase in consumption demand and higher public investment as instrumental drivers. The Organisation for Economic Co-operation and Development (OECD) also expects strong growth to continue in India over the next two years emanating from the implementation of key structural reforms and strong public sector wage growth.

As the Indian economy powers ahead, there will be demand for capital and financing from many sectors. The NBFC sector plays a critically important role in complementing the Banking Sector in efficient intermediation for higher economic growth and also in reaching

out to areas where presence of banks is minimal. Your Company, in particular, will have an important and rewarding role to play by providing more focussed and tailor-made products, better funding and deeper reach, and thus, capitalise on the immense opportunity in the days to come.

The year saw your Company deliver an outstanding financial performance. In FY 2017, the total income increased by 54%, while the Profit after Tax grew at a remarkable rate of 49%. Further, we enter the new financial year with a loan book of ₹ 4,391 crores, 32% higher than last year. As things stand, we are already on a strong footing.

This stellar performance is a reflection of our agility and alertness to customer needs, and our adaptability to structure suitable products. We are constantly strengthening our risk management frameworks by investing in technology and human capital to facilitate sustainable future growth.

As I look ahead, I can foresee a year of exciting prospects and potential. I am confident that your Company will continue with its swift strides on the path of growth and expansion. I would like to thank every one of you for your constant

Total income increased

54%

PAT grew at a commendable rate of

49%

Loan book of ₹ 4,391 crores

32%



This stellar performance is a reflection of our agility and alertness to customer needs, and our adaptability to structure suitable products. We are constantly strengthening our risk management frameworks by investing in technology and human capital to facilitate sustainable future growth.

support and confidence in our vision. We look forward to continually rewarding your trust and encouragement with outstanding performance in the future too.

Thank you once again,

V. Srinivasan
Chairman

MD & CEO's Message

AUM grew at a CAGR of

56%

ROE improved to

18.90%



Dear Stakeholders,

It is always a pleasure and privilege to share with you the performance of your Company and highlight the key events of the year.

FY 2016-17 has indeed been a memorable year that shall be remembered for the bold and landmark policies announced by the Government. The long-awaited Goods and Services Tax (GST) was finally passed. GST will bring in uniform single tax net for the first time and is expected to usher in a new era of growth and transparency. The Insolvency and Bankruptcy Code will ensure timebound settlements of insolvencies and enable faster turnaround time for businesses and create a data base of serial defaulters. The year will also be remembered for the unexpected demonetisation exercise undertaken by the Central Government as a part of its determined efforts towards transparency and increased financial inclusion. At Axis Finance, we welcome these initiatives and believe these will go a long way in creating a fair and transparent business environment for the future.

Your Company has been consistently delivering impressive growth metrics over the past few years. Between FY 2014 to FY 2017, the Company's AUM grew at a CAGR of 56%, while its Net profit catapulted from ₹ 33 crores to

₹ 165 crores during the same period, at a CAGR of 71%. Consequently, the Return on Equity rose from 8.93% in FY 2014 to 18.90% in FY 2017. The average cost of borrowing for the Company has also reduced in line with the downtrend in interest rate movement during the year. Presently 97% of your Company's book is secured and with robust asset quality, it continues to remain a zero NPA company. The Company has been assigned one of the highest credit ratings from CRISIL (CRISIL A1+ and CRISIL AAA/Stable) and India Ratings (IND A1+ and IND AAA) respectively. The combination of zero-NPA and high credit rating enables us to garner funds at lower rates, which in turn helps maintain healthy net interest margins. Your Company is currently present in 8 metro cities with firm plans to add 8 more centres in Tier II cities in FY 2018 to expand its geographical footprint.

Building on this sound financial and strong operational base, further augmented by robust risk management frameworks, we are confidently poised for sustained growth as we tap into the immense financing opportunity that lies before us in terms of a fast expanding economy. We are focussing on new clients in both wholesale and retail with our customised products even as we continue strengthening our relationship with existing clients with our relationship-centric approach and service delivery.



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It has always been our constant endeavour to create long-term value for all our stakeholders. We strive to keep all our stakeholders satisfied with our service, performance and results, and remain committed to our long-term goal - TODAY AND TOMORROW - Your Partner in Financial Solutions.

I personally thank each one of you for your continued faith and trust in us and assure you we will leave no stone unturned to continue delivering outstanding results in the years to come.

Bipin Saraf
Managing Director & CEO

About Axis Finance

A wholly-owned direct subsidiary of Axis Bank, Axis Finance Limited is a trusted and customer-centric, financial services provider. We cater to the unique financing requirements of a diverse clientele from the retail, corporate and institutional segments of the country. Our portfolio of products for retail customers include Loan Against Shares, Loan Against Mutual Funds and Bonds, Margin Trade Funding, Employee Stock Option Financing, Loan Against Property and IPO Financing. To the Wholesale lending space, we offer Sponsor Financing, 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:

Empowerment and Accountability

To demonstrate the highest levels of personal accountability and to ensure that employees consistently pursue excellence in everything they do

Compliances

To comply with all the laws and regulations applicable to the Company

Transparency

To maintain the highest standards of transparency in all aspects of our interactions and dealings

Disclosures

To undertake timely dissemination of all relevant information and matters of interest to our stakeholders

Ethical Conduct

To conduct the affairs of the Company in an ethical manner

Credit Rating

India Rating

A1+ on Short-Term Instruments
AAA on Long-Term Instruments

CRISIL

A1+ on Short-Term Instruments
AAA/Stable on Long-Term Instruments

Products

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

Wholesale Lending Solutions

Sponsor Financing

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.

Our financing solutions also cover PE buyouts or creeping acquisitions, family settlements, bridge financing, etc.

Structured & Mezzanine Financing

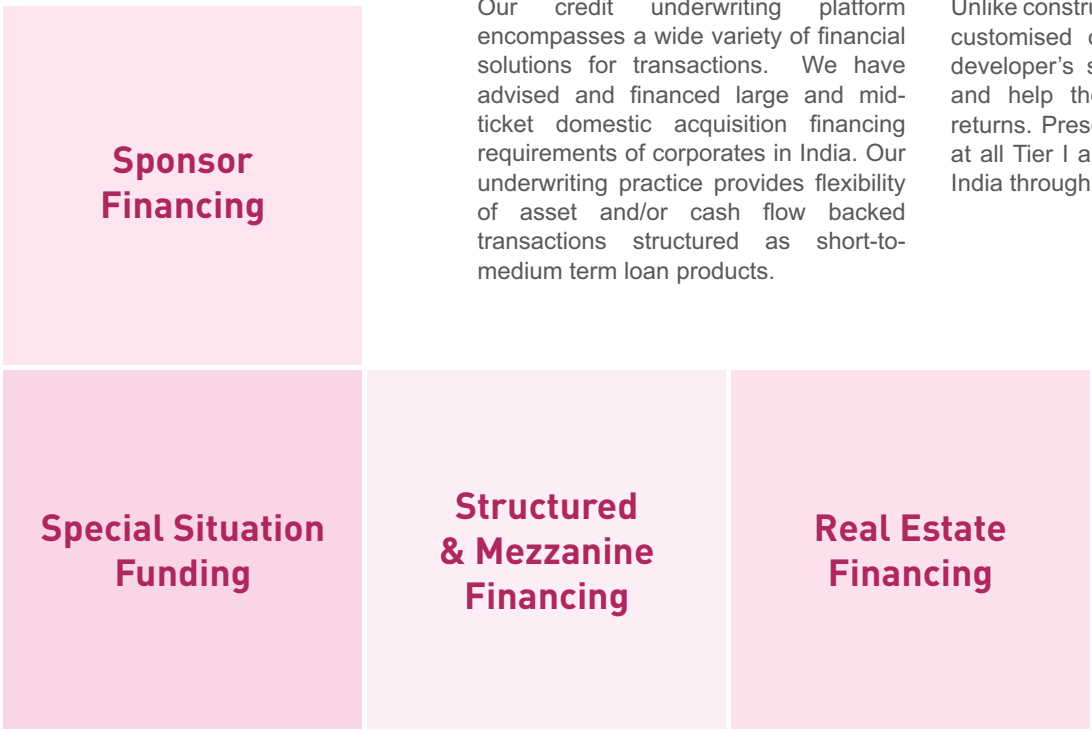
We provide Structured and Mezzanine Financing solutions to Indian corporate across products like secured debt, discount or zero coupon bonds, with various interest and ownership options.

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.

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.



Retail Lending Solutions

Loan Against Shares

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 maximum LTV of 50%, depending on the scrip category, we enable our clients to take advantage of investment opportunities.

Loan Against MFs, Bonds

Loan Against MFs, Bonds

AFL allows investors to take advantage of timely market opportunities and diversify their portfolios, backed by loans ranging from ₹ 25 lakh to ₹ 120 crores, with LTV ratios (depending on fund category) of 50% 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 mutual funds, bonds, while continuing to earn returns on them without liquidating them.

Margin Trade Funding

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 maximum LTV of 50%. 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 who have been granted ESOPs. This financing support enables employees to unlock their wealth by subscribing to Employee Stock Options (ESOPs). 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 facility 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.

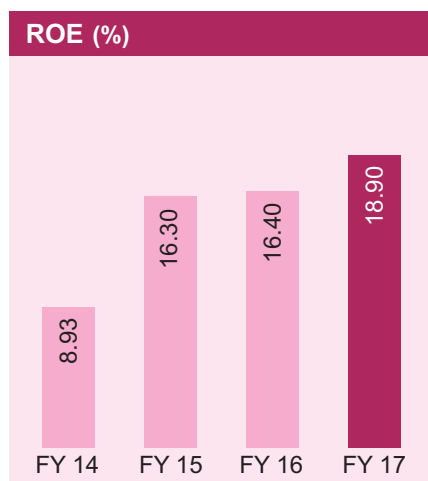
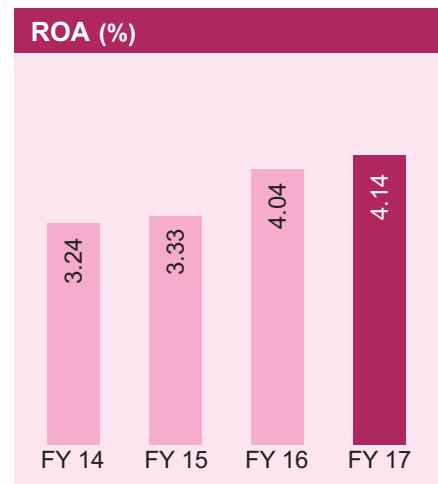
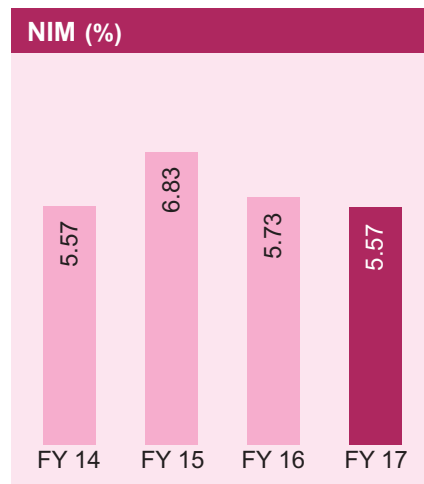
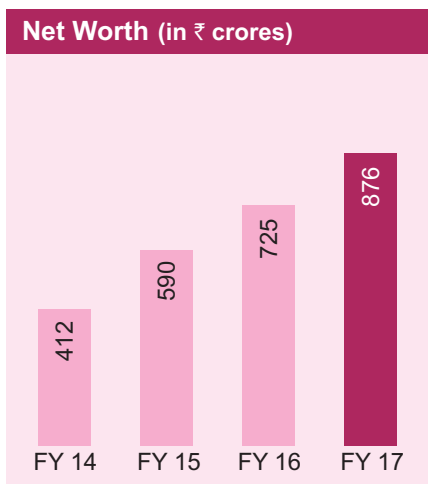
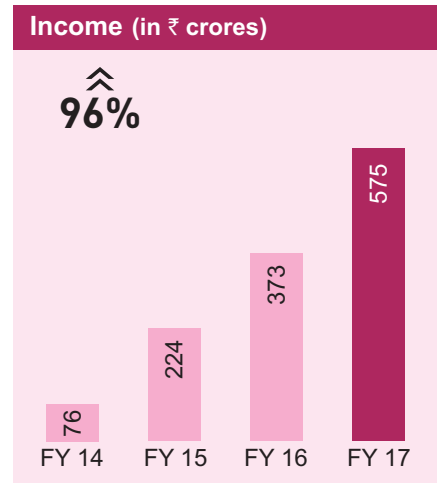
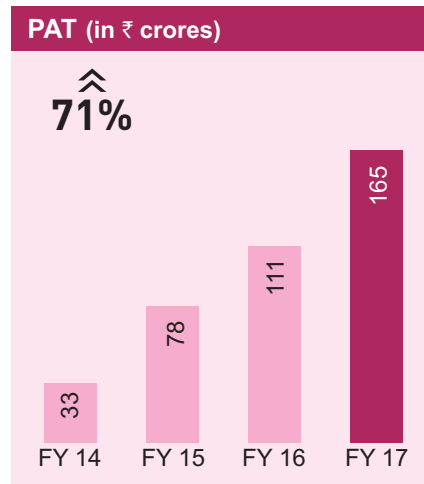
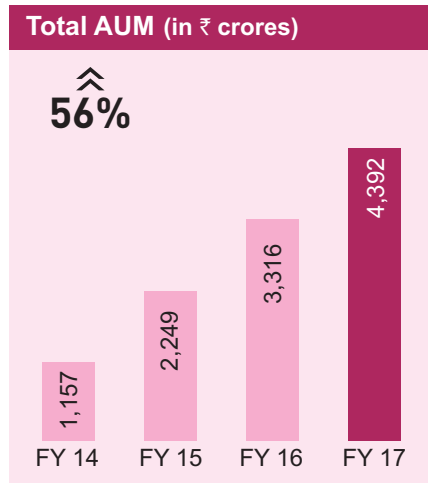
ESOP Financing

Loan Against Property

Initial Public Offer Financing

Journey so far

Over the years, Axis Finance has grown with a robust reinforcement of major financial and operation indicators...



3 year CAGR

Channel Connect

To boost motivation levels and acknowledge performance, at an off-site event held in Kochi, in January 2017, star performers were felicitated with awards at a get-together.



Board of Directors



Mr. V. Srinivasan
Chairman

is a qualified engineer from the College of Engineering, Anna University, Chennai, with a 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, he had been working with J.P. Morgan, India, and in his last assignment, he was Managing Director and 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 the company. 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 to Director on the Board of Axis Bank in October 2012. Currently, he is the Deputy Managing Director of Axis Bank.



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 Markets 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 and 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 previous 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 four years and has been instrumental in setting up this wholly owned subsidiary NBFC under Axis Bank.



Mr. Cyril Anand
Non-Executive 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 positions in various departments of the Bank, like Branch banking, Corporate and International banking. Cyril's prior role was CEO for Axis Bank UK Limited, an International subsidiary of Axis Bank. He is currently the Chief Risk Officer at Axis Bank.



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. She has been associated with the financial markets for over 41 years and has gleaned wide experience, which includes 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.



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. Currently, he is also an Independent Director on the Board of Axis Bank.



Mr. K. N. Prithviraj
Independent Director

is a first rank holder in M.A. (Economics) from Madras University and a Research Fellow, Department of Economics, Madras University. At present, he is the Chairman of CanFin Homes Ltd. He is also the Administrator of the Specified Undertaking of the Unit Trust of India (SUUTI). He has more than 38 years of experience in the banking industry. The positions he has held include, Chairman and MD for Oriental Bank of Commerce; Executive Director, United Bank of India; General Manager, Punjab National Bank Corporate Credit & Human Resource Department and General Manager, Punjab National Bank - Western Zone. He was also a Government Nominee Director for Oriental Insurance Company for two years.

Corporate Information

LEADERSHIP TEAM

Bipin Saraf

Managing Director & CEO

Kishore Babu

Chief Operating Officer

Amritanshu Mohanty

Business Head

Amith Iyer

CFO & Treasury Head

Vishal Sharan

Head – Credit & Monitoring

Rajneesh Kumar

Head Compliance & Company Secretary

AUDITORS

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

Chartered Accountants

SECRETARIAL AUDITORS

Ajay V. Mehta

Practicing Company Secretary

INTERNAL AUDITORS

M/s. ASJ & Co. LLP

Chartered Accountants

BANKERS

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

REGISTERED & CORPORATE OFFICE

Axis Finance Limited

Axis House, C-2 Wadia International Centre, P. B. Marg, Worli, Mumbai – 400 025, India

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 – 400 021

Tel: +91-22-49220555

Fax: +91-22-49220505

As on 01.06.2017

Directors' Report – 2016-2017

Dear Members,

Your Directors are pleased to present the 22nd 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, 2017.

1. Financial Results of the Company

The summarized financial performance of the Company for the year ended March 31, 2017 is presented below:

(Amount in Rs.)

Particulars	Current Financial Year 31.03.17	Previous Financial Year 31.03.16
Revenue from Operations (Net) and other income	575,40,40,129	372,98,96,108
Profit/(Loss) before Tax	253,30,53,838	169,89,89,083
Provision for Taxation	88,04,39,763	59,13,38,622
Profit/(Loss) after Tax	165,26,14,075	110,76,50,460
Balance brought forward from previous year	134,72,72,119	121,46,90,619
Profit available for appropriation	299,98,86,194	232,23,41,079
Less: Appropriations		
- Interim Equity Dividend	94,94,27,500	62,60,25,000
- Proposed Final Equity Dividend	-	-
- Tax on Equity Dividends	19,32,81,101	12,74,43,960
- Previous Year Tax on Equity Dividends	-	-
- General Reserve	-	-
- Transfer to Statutory Reserve	33,06,00,000	22,16,00,000
Surplus carried to the Balance Sheet	152,65,77,593	134,72,72,119

2. Operations Review

During the year, the Company has grown its outstanding Loans & Advances from Rs. 3,103.62 Cr to Rs. 4,292.00 Cr, a growth of 38.29%. The Net worth of the Company increased from Rs. 725.49 Cr as at March 31, 2016 to Rs. 876.37 Cr as at March 31, 2017. Net Interest Income increased by 22.54% from Rs. 144.15 Cr during the previous financial year ending March 31, 2016 to Rs. 176.64 Cr during the financial year ending March 31, 2017. The Profit before Tax, before exceptional items,

increased from Rs. 169.89 Cr during the previous financial year ended March 31, 2016 to Rs. 253.31 Cr during the current financial year ending March 31, 2017. Net profit increased by 49.19 from Rs. 110.77 Cr to Rs. 165.26 Cr during the year.

A detailed discussion of operations for the year ended March 31, 2017 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 2016-17, your Directors had declared and paid interim dividend of Rs.2.27 per share (on the face value of Rs. 10 each) aggregating to Rs. 94.94 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, 2017.

4. Transfer to Statutory Reserves

An amount of Rs. 33.06 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 Rs.10 each for cash at a premium of Rs.10 per equity share were issued and allotted on Rights basis to Axis Bank Limited (Holding Company). The total issued and paid-up capital as on March 31, 2017 stood at Rs. 418.25 Cr. There has been no change in the issued and paid up capital after March 31, 2017 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

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 line of Credit 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 Rs.347.00 Cr on private placement basis. Total amount as on March 31, 2017 raised through Commercial Paper and Bank Finance stood at Rs. 2,870.61 Cr and Rs. 550.87 Cr. respectively.

8. Credit Rating

The Company enjoys highest credit rating from the Rating Agency. The credit rating reflects 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	January 31, 2018
CIRISIL Limited	Long Term	CRISIL AAA/Stable	2,000	-	Yearly Surveillance
	Short Term	CIRISIL A1+	8,000	12 months	August 31, 2017

9. Capital Adequacy

The Company's capital adequacy ratio was 23.15% as on March 31, 2017 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. Save and except the

issue and allotment of 5,00,00,000 equity shares of Rs.10 each for cash at a premium of Rs.10 per equity share on Rights basis to Axis Bank Limited, there has been 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 inter alia to consider 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 2016-17, 6 (six) meetings of the Board of Directors were held in compliance of provisions of Section 173 of Companies Act, 2013. The meetings were held on April 12, 2016, July 04, 2016, July 29, 2016, November 16, 2016, February 10, 2017 & March 16, 2017. 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 FY2017 is as under:

Name of the Director	Category of Director	Attendance at the last AGM held on July 29, 2016	Dates of Board meetings held, and attended					
			12-Apr-16	4-July-16	29-Jul-16	16-Nov-16	10-Feb-17	16-Mar-17
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)	NA	YES	NA	NA	NA	NA	NA
Mr. Cyril Anand Madireddi**	Director (Non- Executive Director)	YES	YES	YES	YES	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	YES	YES	YES	YES	YES
Mr. K.N. Prithviraj***	Director (Independent Director)	YES	NA	NO	YES	YES	YES	YES

* - Resigned w.e.f. April 12, 2016

** - Appointed w.e.f. April 12, 2016

*** - Appointed w.e.f. July 04, 2016

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

- During the year under review, on account of his pre-occupation and other commitments Mr. Bapi Munshi (DIN: 02470242), Director of the Company resigned from the Board of the Company w.e.f. April 12, 2016.
- During the year under review Mr. Cyril Anand Madireddi (DIN: 07489389) and Mr. K N Prithviraj (DIN: 00115317), were appointed by the Board on 12th April, 2016 and 04th July, 2016 respectively as Additional Directors of the Company, and were appointed as Directors by the Members of the Company at the Annual General Meeting held on July 29, 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 Bipin Kumar Saraf, retires by rotation at the ensuing Annual General Meeting and, being eligible, offers himself for re-appointment. Mr. Bipin Kumar Saraf has been appointed as Managing Director of the Company for a period of 3 (three) years w.e.f. April 16, 2016 and such a re-appointment shall not be deemed to constitute a break in his appointment as Managing Director.

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 its 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, 2017, 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;

- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The Directors have prepared the annual accounts on a going concern basis;
- (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 for a period of 5 (Five) years to hold office from the conclusion of the 19th Annual General Meeting till the conclusion of the 23rd Annual General Meeting to be held in year 2018, subject to ratification of their appointment at every subsequent 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

M/s J.K. Khanna & Co, Chartered Accountants, Mumbai (FRN – 105078W) have been acting as the internal auditors from FY 2014-2015. In terms of the Auditor's rotational policy, the Company is required to mandatorily appoint new internal auditors after every 3 (three) consecutive years. In this connection, the Board on the recommendation of the Audit Committee has appointed

M/s ASJ & Company LLP, Chartered Accountants, Mumbai (FRN –133292W) as Internal Auditors of the Company for the F.Y. 2017-2018. The Board places on record its sincere appreciation for the services rendered by M/s J.K. Khanna & Co during their tenure as the internal auditors of the Company.

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.

In terms of the Companies Act, 2013 and the Listing Regulations, currently, the Board has five (5) Committees, viz: Audit Committee, Corporate Social Responsibility (CSR) Committee, Nomination Committee, Risk Management Committee (RMC) and Grievance Redressal 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 RMC manages the integrated risk and further oversee the Risk Management function of the Company. The Grievance Redressal Committee specifically look into the mechanism of redressal of grievances of shareholders, debentures holders and other security holders.

The table below provides a snap shot of the Board and Committee composition as on March 31, 2017:

Board and Committee composition as on March 31, 2017							
Name	Board	Audit Committee	CSR Committee	Nomination Committee	Risk Management Committee	Grievance Redressal Committee	Committee of Directors
Mr. Srinivasan Varadarajan	C	-	-	-	-	-	C
Mr. Bipin Kumar Saraf	MD	-	M	M	M	M	M
Mr. Bapi Munshi*	D	M	C	M	C	-	M
Mr. Cyril Anand Madireddi**	D	M	C	M	C	C	M
Mr. V.R Kaundinya	ID	M	-	C	-	--	-
Mrs. Madhu Dubhashi	ID	C	M	M	M	-	-
Mr. K.N. Prithviraj***	ID	M	-	-	M	-	M

C – Chairperson, M – Member D- Director, ID- Independent Director, MD- Managing Director

* - Resigned w.e.f. April 12, 2016

** - Appointed w.e.f. April 12, 2016

*** - Appointed w.e.f. July 04, 2016

- I) **Audit Committee** - The Audit Committee was constituted on January 11, 2013 and last re-constituted on July 29, 2016. As on March 31, 2017, the Audit Committee comprised of four (4) members, of which three (3) were independent Directors. During the financial year 2016-17, the Committee held six (6) meetings held on April 12, 2016, July 4, 2016, July 29, 2016, November 16, 2016, February 10, 2017 and March 16, 2017.

Name of the Director	No. of meetings held, and attended, during tenure						% of attendance
	1	2	3	4	5	6	
Mr. V.R Kaundinya	YES	YES	YES	YES	YES	YES	100%
Mrs. Madhu Dubhashi	YES	YES	YES	YES	YES	YES	100%
Mr. Bapi Munshi*	YES	NA	NA	NA	NA	NA	100%
Mr. Cyril Anand Madireddi**	NA	YES	YES	YES	YES	YES	100%
Mr. K.N. Prithviraj***	NA	NA	YES	YES	YES	YES	100%

* - Resigned w.e.f. April 12, 2016

**Appointed as member of the Committee w.e.f. July 04, 2016

*** - Appointed as member of the Committee w.e.f. July 29, 2016

- II) **Nomination and Remuneration Committee** - The Nomination and Remuneration Committee was constituted on January 11, 2013 and last re-constituted on July 29, 2016. As on March 31, 2017, the Nomination Committee comprised of four (4) members, of which two (2) were independent Directors. The chairperson of the Committee is an independent Director. During the financial year 2016-17, the Committee held three (3) meetings. These were held on April 12, 2016, July 04, 2016 & March 16, 2017.

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	NA	NA	100%
Mr. Cyril Anand Madireddi*	NA	YES	YES	100%

* - Appointed as member of the Committee w.e.f. July 04, 2016

Name of the Director	No. of meetings held, and attended, during tenure							% of attendance
	1	2	3	4	5	6	7	
Mr. V. Srinivasan	YES	YES	YES	YES	YES	YES	YES	100%
Mr. Bipin Kumar Saraf	YES	YES	YES	YES	YES	YES	YES	100%
Mr. Bapi Munshi	YES	NA	NA	NA	YES	YES	YES	100%
Mr. Cyril Anand	NA	YES	YES	YES	YES	YES	YES	100%
Mr. K.N. Prithviraj*	NA	YES	YES	YES	YES	YES	YES	100%

- III) **Risk Management Committee** - The Risk Management Committee of the Company was constituted on January 11, 2013 and last re-constituted on July 29, 2016. As on March 31, 2017, the Risk Management Committee comprised of four (4) members, of which two (2) were independent Directors. During the financial year 2016-17, the Committee held four (4) meetings held on April 12, 2016, July 29, 2016, November 16, 2016 & February 10, 2017.

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	NA	NA	NA	100%
Mr. Cyril Anand Madireddi*					
Mr. K.N. Prithviraj**	NA	YES	YES	YES	100%

Appointed as member of the Committee w.e.f. July 04, 2016

** - Appointed as member of the Committee w.e.f. July 29, 2016

- IV) **CSR Committee** - The CSR Committee was constituted on March 10, 2015 and last re-constituted on July 29, 2016. As on March 31, 2017, the Committee comprised of three (3) members, of which one (1) was an independent Director. During the financial year 2016-17, the Committee met once on February 10, 2017, which was attended by all the members.

- V) **Grievance Redressal Committee** - The Grievance Redressal Committee was constituted on January 21, 2013 and last re-constituted on July 29, 2016. As on March 31, 2017, the Committee comprised of two (2) members. During the financial year 2016-17, there were no meetings being conducted.

- VI) **Committee of Directors** - The Committee of Directors of the Company was constituted on January 11, 2013 and last re-constituted on July 29, 2016. As on March 31, 2017, the Committee of Directors comprised of four (4) members, of which two (2) were independent Directors. During the financial year 2016-17, the Committee held four (7) meetings held on April 12, 2016, August 03, 2016, September 19, 2016, November 16, 2016, December 15, 2016, February 10, 2017 and March 16, 2017.

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 2017 the company had 52 employees including deputed staff from Axis Bank as against 34 as at March 2016, indicating 53% increase in manpower by 18 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 Auditors' Report

The notes to Accounts referred to in the Auditors' 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 had been placed before the Audit Committee for its 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 through Axis Bank Foundation has undertaken projects in the areas of Education, Livelihood, Health, Water and Sanitation. These projects are in accordance with Schedule VII of the Companies Act, 2013. The Company had transferred Rs.2.25 Cr to Axis Bank Foundation on March 23, 2017 for the purpose of expenditure towards CSR activities. The details of the same are 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 will 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. Policy of Prevention of Sexual Harassment of Women at workplace

The Company has framed a Policy of Prevention of sexual harassment at workplace. There were no cases reported during the year ended March 31, 2017 under this Policy.

37. 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.

38. Update on the proposed Amalgamation of Axis Private Equity Limited with the Company

The Board of Directors approved the proposal to amalgamate the entity viz. Axis Private Equity Limited with the Company at its meeting held on July 04, 2016 subject to requisite approvals of various statutory authorities. Post amalgamation, Axis Finance Limited shall require to issue 15,00,000 number of equity shares of Rs 10/- each aggregating to Rs 1,50,00,000/- to the shareholders of Axis Private Equity Limited (Axis PE).

Both the Companies/entities are wholly owned subsidiaries of Axis Bank Ltd. As part of the Group restructuring process and also in order to improve operating efficiencies, amalgamation was proposed.

On 29th July, 2016, the shareholders at the Annual General Meeting, approved the scheme of amalgamation of Axis PE with the Company. The Company also received an approval from the RBI conveying their no objection for the said amalgamation of Axis PE with the Company.

The Board of Directors were informed on November 16, 2016 that the filing of Amalgamation Petition was kept on hold for the time being as instructed by Axis Bank Strategy Team.

Your Directors are now pleased to inform you that the aforesaid issues have been sorted out and the Board has been approached once again to grant an in-principle approval for re-starting the merger process. Upon

receipt of an in-principle approval, the formal process of amalgamation (including preparation of scheme, appointment of intermediaries etc) will be undertaken and accordingly the shareholders will be approached to seek their approval to the proposed amalgamation and the Scheme of Amalgamation.

39. 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 11, 2017
CIN: U65921MH1995PLC212675

Annexure – I

AXIS FINANCE LIMITED

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2017

[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: -

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

SUB CATEGORY OF THE COMPANY:

- 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	77.98%
2	Income from Processing fees	65923	10.39%

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: Trishul, 3rd Floor, Opp Samartheshwar Temple, Law Garden, Ellisbridge Ahmedabad 380006	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	36,82,49,950*	50**	36,82,50,000*	100*	41,82,49,950*	50**	41,82,50,000*	100*	13.58%
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):-	36,82,49,950*	50**	36,82,50,000*	100*	41,82,49,950*	50**	41,82,50,000*	100*	13.58%
Total shareholding of Promoter (A) = (A)(1)+(A)(2)									
B. Public Shareholding	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	
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 uptoRs. 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)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL				NIL				
Grand Total (A+B+C)	36,82,50,000				41,82,50,000				13.58%

* 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

Sl 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	36,82,50,000	36,82,50,000	NIL	41,82,50,000	100*	NIL	13.581%
	Total	36,82,50,000	36,82,50,000	NIL	41,82,50,000	100*	NIL	13.581%

*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	27.06.2016- Allotment of Equity Shares on Rights basis	5,00,00,000		*41,82,50,000	100
	At the End of the year	*36,82,50,000		*41,82,50,000	100

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

Note-Date wise Increase /Decrease in promoters share holding during the year specifying the reasons for increase / decrease (e.g. Allotment/transfer/bonus/sweat equity etc):

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 (beneficialownership 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

Note-/Decrease in Promoters Share holding during the yearspecifying the reasons for increase / decrease (e.g./transfer / bonus/ sweat equity etc):

*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	13,88,59,59,387	12,00,44,75,579	NIL	25,89,04,34,966
ii) Interest due but not paid	NIL	NIL		NIL
iii) Interest accrued but not due	37,73,00,159	NIL		37,73,00,159
Total (i+ii+iii)	14,26,32,59,546	12,00,44,75,579	NIL	26,26,77,35,125
Change in Indebtedness during the financial year				
• Addition	7,67,79,932	16,70,15,90,564	NIL	NIL
• Reduction	NIL	NIL		
Net Change	7,67,79,932	16,70,15,90,564	NIL	16,77,83,70,496
Indebtedness at the end of the financial year				
i) Principal Amount	13,96,27,39,319	28,70,60,66,143	NIL	42,66,88,05,462
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	1,03,04,05,541	NIL	NIL	1,03,04,05,541
NIL				
Total (i+ii+iii)	14,99,31,44,860	28,70,60,66,143	NIL	43,69,92,11,003

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 (₹ 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		139.10
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		6.24
	(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)		145.34
	Ceiling as per the Act *5% of the net profit calculated as per Section 198		1055.00

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	Mr. K.N Prithviraj	
1.	Independent Directors				
	• Fee for attending board / committee meetings	7.50	10.50	8.50	26.50
	• Commission	NIL	NIL		NIL
	• Others, please specify	NIL	NIL		NIL
	Total (1)	7.50	10.50	8.50	26.50
2.	Other Non-Executive Directors				
	• Fee for attending board /		NIL		NIL

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

SI 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	37.78	70.93	108.71
	(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	37.78	70.93	108.71

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES(Under the Companies Act): NONE
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 11, 2017
 CIN: U65921MH1995PLC212675

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, 2017

[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, 2017 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, 2017 according to the provisions of:

- A) (1) The Companies Act, 2013 (the Act) & the rules made there under 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 there under;
(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.

B) 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.

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

During the year 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.

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 had 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 : 10th April, 2017.

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

List of Specific Events and Actions for FY 2016-17:

- A) Special Resolutions passed at the AGM held on 29.07.2016 w.r.t
 - a) Increasing the Borrowing Powers of the Company to Rs.15,000 Crores over and above the Paid up Share Capital and Free Reserves of the Company.
 - b) Borrowing or Raising of funds in following manner:-
 - I. Rs.400 Crores for issuance forming part of Tier II capital
 - II. Rs.10,000 Crores by issue of Commercial Papers.
 - III. Private Placement of Debentures of a face value of Rs.10,00,000 each, in the nature of Secured/unsecured, Redeemable, Non-Convertible Debentures, for the aggregate amount up to Rs.2000 Crores.
 - c) Approval 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.
 - d) Approval of scheme of amalgamation of Axis Private Equity Ltd (transferor company) with the Company (transferee company).
- B) Issue of 5,00,00,000 Equity shares of Rs.10/- each at a premium of Rs.10/- per share on Rights basis vide Resolution passed at the Board Meeting held on 12.04.2016.
- C) Allotment on 27.06.2016, of 5,00,00,000 Equity shares of Rs.10/- each at a premium of Rs.10/- per share on Rights basis.
- D) Appointment of Mr. Kokkarne Natarajan Prithviraj as Independent Director of the Company to hold office for a term of 5 (five) consecutive years w.e.f 29th July 2016.
- E) Appointment of Mr. Cyril Anand as Director of the Company at the AGM held on 29th July 2016.
- F) Re-appointment of Mr. Bipin Saraf (DIN: 06416744) as Managing Director and CEO of the Company for a period of 3 (Three) years w.e.f 16.04.2016 and revision in his remuneration effective from 01.04.2016
- G) Execution of Debenture Trust Deed on 22.08.2016 for issue of Debentures to the extent of Rs.440 crs.
- H) Allotment of Debentures:
 - i) 100 Secured Redeemable Non Convertible Debentures of Rs.1000000/- each on 17/05/2016.
 - ii) 50 Secured Redeemable Non Convertible Debentures of Rs.1000000/- each on 15/09/2016.
 - iii) 2000 unsecured, subordinated (Tier II) redeemable NCDS of Rs.1000000/- each on 05/08/2016.

Annexure – III

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.

Annexure- IV

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 2016-17;

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: **11.32**.

Information is only in respect of whole time directors who are on rolls of the Company as on 31st March 2017

- (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 2016-17, are as under;

Percentage increase in remuneration of Mr. Bipin Kumar Saraf, MD & CEO was 12%, Mr. Amith Iyer, Chief Financial Officer was 8.6% & Mr. Rajneesh Kumar, Company Secretary was 21%

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

Median remuneration of employees of the company increased by 1% during the financial year 2016-17, as compared to the financial year 2015-16. This is on account of addition of manpower in FY 16 in the lower & middle level management.

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

The company had 45 permanent employees on its rolls as on March 31, 2017.

- (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 12% and the average remuneration increase for the said managerial personnel of the company was around 14%

- (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 12%, Mr. Amith Iyer, Chief Financial Officer was 8.6% & Mr. Rajneesh Kumar, Company Secretary was 21%

- (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 Rs. 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 Rs.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

Place- Mumbai
Date: April 11, 2017
CIN: U65921MH1995PLC212675

Annexure - V

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	:	1) Rent Paid 2) Bank Charges 3) Current Account Balance 4) LOC Account Balance 5) OPE Salary 6) Capital Infusion 7) Interim Dividend Paid 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 16) NACH Charges 17) Service Chgs Other (IT Service Fees) 18) Referral Fees 19) Commercial Paper Issued 20) Non - Convertible Debentures
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
	Nature of contracts/arrangements/transactions	:	Service charges (Exp)
	Duration of the contracts / arrangements / transactions	:	Continuous
	Salient terms of the contracts or arrangements or transactions including the value, if any	:	Refer Financial statements
	Date (s) of approval by the Board, if any	:	Transaction at arm's length and in ordinary course of business
	Amount paid as advances, if any	:	NIL

4. 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 Securities Limited
b)	Nature of contracts/arrangements/transactions	:	1) Rent Paid 2) Internet Charges (Exp) 3) Demat Chgs 4) Brokerage Paid
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

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

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 11, 2017
CIN: U65921MH1995PLC212675

Management Discussion and Analysis

COMPANY PROFILE

Axis Finance Limited (AFL), a wholly-owned subsidiary of Axis Bank, is a non-deposit taking Non-Banking Financial Company (NBFC) focussing on niche products under Wholesale & Retail lending space. Under retail business, AFL's portfolio of products includes Loan against Shares, Mutual Fund Units and Bonds, Margin Trade Funding, Employee Stock Option Financing, Loan against Property and IPO Financing. In the Wholesale lending space, AFL offers Sponsor Financing, Real-Estate Financing, Corporate Loans, Structured Funding, etc.

ECONOMIC REVIEW, INDUSTRY STRUCTURE AND DEVELOPMENTS

There has been a definite turnaround in world economic growth prospects in FY 2017, supported by recovery in commodity prices, expected fiscal easing in US, cyclical recovery in manufacturing and trade in developed economies, etc.

Within this milieu, India's macro fundamentals remained stable and it continues to be one of the fastest growing major economies in the world with an officially projected GDP growth rate of 7.1% in FY 2017. Consumer Price Inflation stayed low, enabling the RBI to keep interest rates low too. India's external sector position has also been comfortable, with the current account deficit (CAD) progressively contracting as India's overall import bill declined on account of relatively low oil and gold prices. The government's revenue collection from indirect tax during April-February grew by an impressive 22.2%, while that of direct tax rose by 10.7%.

More importantly, a number of reforms that were initiated during FY 2016-17 will lay the foundation for sustainable growth in the years ahead.

In May 2016, the government passed the Insolvency and Bankruptcy Code, 2016.

This will ensure timebound settlements of insolvencies, enabling faster turnaround time for businesses. When implemented alongside proposed changes in debt recovery and enforcement laws, it could help resolve the distressed assets of the banking sector. It will also create a more attractive investment climate in the country.

In another landmark reform, in August 2016, a Constitutional Amendment to the Bill for Goods and Services Tax (GST) was passed in both Houses. With the President of India's approval, GST is in the process of becoming a replacement for all indirect taxes levied on goods and services by the Centre and States. GST will be a key catalyst for formalisation of the economy over the longer term, triggering supply chain efficiency and boosting government revenues. GST and other structural reforms can take the trend growth rate to 8-10%.

In November 2016, the government carried out a first of its kind demonetisation drive. It withdrew 86% of the country's currency in circulation by recalling existing banknotes in the denominations of INR 500 and INR 1000. Over the longer term, this move is expected to bring in better transparency and tax compliance, amongst other benefits. However, in the short term, it resulted in a dip in consumer and business confidence, both of which were restored by the fourth quarter of FY 2017.



GST will be a key catalyst for formalisation of the economy over the longer term, triggering supply chain efficiency and boosting government revenues. GST and other structural reforms can take the trend growth rate to 8-10%.

The government's revenue collection from indirect tax during April-February grew by an impressive

22.2%

while that of direct tax rose by

10.7%

Another major reform - Real Estate (Regulation & Development) Act, 2016 (RERA) seeks to address issues like delays, price and quality of construction, titles and other challenges in the real estate sector. RERA aims at achieving a fine balance between improving transparency and allowing the organised players to continue operations with limited disruptions and/or cost escalations. The effective implementation of RERA will be a key trigger for end-use demand revival in the sector.

OUTLOOK FOR FY 2017-18

The improvement in India's macro-economic fundamentals is expected to continue as a result of the combined impact of the pace of government reforms and Reserve Bank of India's (RBI) focus on keeping inflation within target. The global growth prospects are also expected to improve further in

FY 2018 as economic activities in both advanced and emerging economies is gaining momentum.

In FY 2018, considering CPI inflation expectation of around 4% and fiscal deficit target of 3.2%, Indian economy is expected to witness a relatively lower inflation, fiscal discipline and moderate current account deficit coupled with broadly stable rupee-dollar exchange rate.

As global financial markets seem to have stabilised, the Rupee has remained steady and foreign capital flows have started returning to India, as with other EMs. The credit off-take from banks and NBFCs is expected to increase gradually during FY 2017-18. However, insufficient action on resolving distressed assets in the banking sector will represent a downside risk in FY 2017-18 for credit growth in the economy.



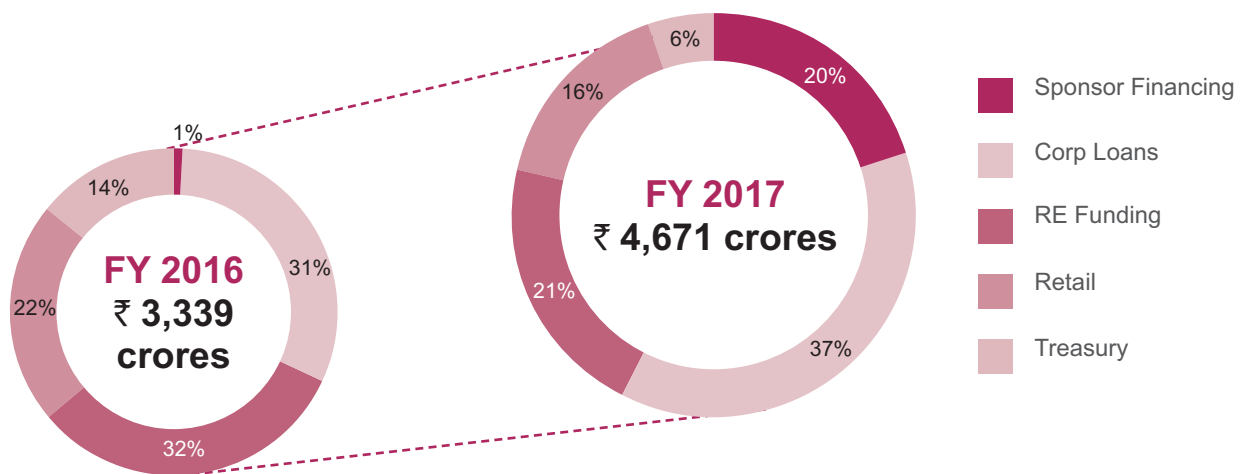
The improvement in India's macro-economic fundamentals is expected to continue as a result of the combined impact of the pace of government reforms and Reserve Bank of India's (RBI) focus on keeping inflation within target.

BUSINESS OVERVIEW

AFL is currently present in 8 metro cities in India and plans to add another 8 centres in Tier II Cities in FY 2017-18 to expand its geographical footprint.

Key Performance Highlights of FY 2017

AFL Overall Book Composition

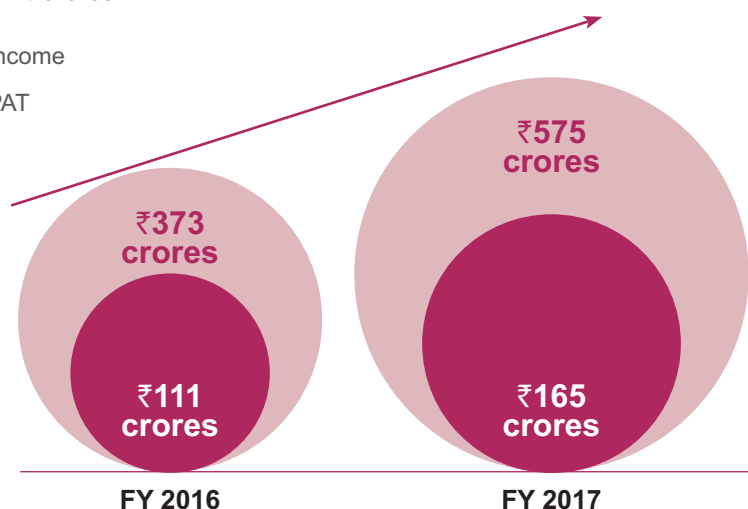


AFL's AUM (Assets Under Management) representing the loan book expanded to ₹ 4,671 crores during FY 2016-17 from ₹ 3,339 crores in FY 2015-16, registering growth of 40% on YoY.

PAT & Income

Fig. in ₹ crores

Income
PAT



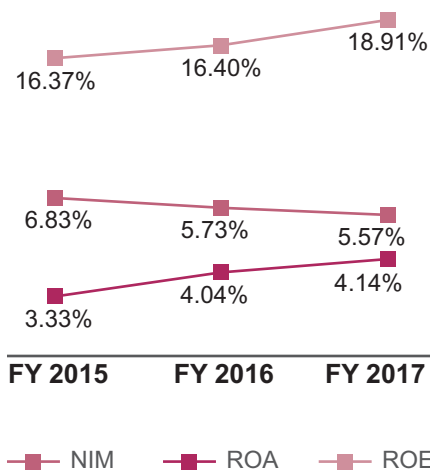
In FY 2016-17, AFL's Total Income increased by 54% to reach ₹ 575.40 crores from ₹ 372.98 crores in FY 2015-16. The Profit after Tax increased by 49% to ₹ 165.25 crores during the same period. Return on Assets (ROA) of AFL improved marginally to 4.14% in FY 2016-17 from 4.04% in FY 2015-16. Despite a reduction of 16bps, AFL enjoys

one of the highest NIMs in the industry with 5.57% in FY 2016-17 against 5.73% in FY 2015-16.

As at end FY 2016-17, 97% of AFL's book was secured and AFL continues to report strong asset quality with 'nil' NPA.

For FY 2016-17, AFL has paid dividend amounting to ₹ 95 crores (Net of Dividend

Key Ratios



Distribution Tax of ₹ 19.2 crores). In the previous year, the Company has paid dividend of ₹ 62.6 crores (Net of Dividend Distribution Tax of ₹ 12.7 crores).

AFL has been assigned one of the highest credit ratings with CRISIL A1+ and CRISIL AAA/Stable from Crisil and India Rating has assigned IND A1+ and IND AAA.

Capital Management

AFL maintains a strong capital position with the capital ratios well above the thresholds defined by RBI. The comprehensive assessment process enables AFL to ensure the adequacy

of capital for future business growth and various other risks that the AFL is exposed to, so that the minimum capital required is maintained on a continuous basis. As on March 31, 2017, the total

CAR stood at 23.15%, well above the regulatory minimum requirement of 15%. Tier I ratio of AFL stood at 18.52%.

As on March 31	2016	2017
Total Capital Adequacy Ratio	21.81%	23.15%
Out of above		
Tier I capital ratio	21.43%	18.52%
Tier II capital ratio	0.38%	4.63%

BUSINESS ANALYSIS

AFL predominantly caters to two genres of business, namely Wholesale Funding and Retail / HNIs. Given below is an analysis of the performance of each segment.

Loan against Shares / Sponsor Financing

Under this segment, AFL provides finance to promoters of listed companies secured against their holdings in large cap listed companies.

AFL mainly focuses on large and reputed promoter groups having substantial market capitalisation, free float and investment grade credit rating. In addition to continuously achieving 100% client retention, AFL is also registering strong growth in this product segment.

The outstanding loan amount under this segment was ₹ 914 crores, amounting to 20% of the loan book.

Real Estate Funding

AFL lends to reputed real estate developers for the purpose of their capital requirements during pre-construction or post construction activities. The Company's main focus area is financing

against ready/late-stage residential inventory across major markets in India.

This segment constitutes nearly 21% of the overall portfolio. The Loan book under this segment has registered a strong growth of 33% from ₹ 743 crores in FY 2015-16 to ₹ 989 crores in FY 2016-17.

Corporate Loans

AFL provides customised financing solutions to large and medium-sized corporates to meet their unique and event-based financial requirements such as PE buyouts, acquisition financing, etc. As on March 31, 2017, this portfolio constituted 37% of the loan book. The Corporate Loan book has grown by 63% from ₹ 1,068 crores in FY 2015-16 to ₹ 1,741 crores in FY 2016-17.

Retail / HNI Finance

In the past few years, AFL has expanded its presence in the non-corporate

The Wholesale Loan Book has grown by

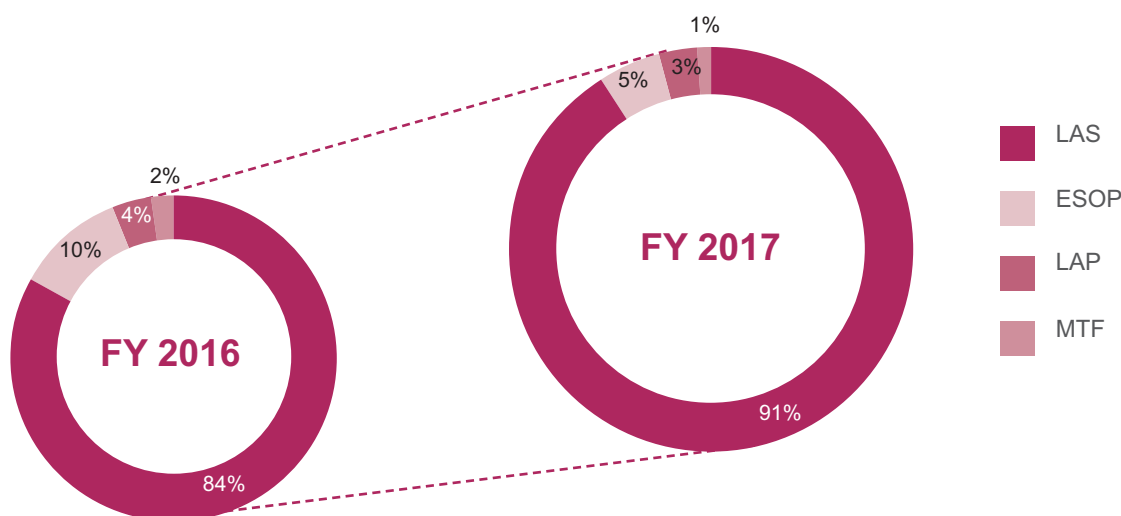
28% YOY

The Retail Loan Book has grown

59% YOY

/ retail lending space. AFL offers a bouquet of products under this business vertical, viz. Margin Trade Funding, IPO Funding, Loan against Shares/ Mutual Funds/Bonds, Loan against Property and ESOP funding. Under this vertical, Loans against Securities (LAS) constitute 91% of the retail book as on March 31, 2017.

AFL Retail Book Composition



The retail loan book has grown at a CAGR of 63% over the last two years to reach at ₹747.5 crores in FY 2016-17. In FY 2014-15, the retail portfolio accounted for 12.5% of the AUM and increased to 17% in FY 2016-17.

OPPORTUNITIES AND RISKS

AFL has demonstrated a healthy growth in both the Wholesale & Retail business segments. Going forward, the key focus areas of growth for AFL would be the Retail/HNI book. AFL aims to take the Retail exposure from 17% at present to 25% over the next two to three years by expanding its geographical presence across major cities in India.

AFL is also exploring opportunities in financing builders and home owners in the Affordable Housing segment, which is fast emerging as an attractive proposition, given the policy impetus and underlying demand.

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.

INFORMATION TECHNOLOGY

New technological platforms act as growth enablers and allow the Company to have stringent risk management processes in place. AFL has continuously invested in procuring

the latest hardware and software to meet the requirements of business, risk and finance teams, which has led to higher productivity. AFL endeavours to upgrade technological processes constantly and believes that IT initiatives will play a crucial role in fuelling higher growth. AFL has also put in place a Disaster Recovery Data Centre to ensure business continuity.

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

AFL is cognizant of the importance of human capital in a fast evolving and high growth industry like the one it operates in. AFL strives hard to retain its experienced team rich in domain expertise as it recognises their importance in the growth of the Company. Nurturing people is a key organisational goal and leadership mandate. Training and employee motivation is an integral part of AFL's policy. During the year, AFL added 18 employees, taking the total employee strength to 52.

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.

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, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 (the "Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016;

- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;
- (g) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company 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 Prevention Fund by the Company;
- iv. The Company has provided requisite disclosures in Note 57 to these financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our enquiries, test check of the books of account and other details maintained by the Company and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company.

For S.R. Batliboi & CO. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Jitendra H. Ranawat

Partner

Place: Mumbai

Date: 11 April 2017

Membership Number: 103380

Annexure 1 referred to under the heading “Report on other legal and regulatory requirements” of 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.
- (i)(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (i)(c) According to information and explanations given by the management, the title deeds of immovable properties included in fixed assets 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 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.
- (vii)(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 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.
- (vii)(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) 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) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of commercial paper, non-convertible debentures and term loans 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 by the the Company or no fraud on the Company has been noticed or reported during the year.
- (xi) According to the information and explanation given by the management, the 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) 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 reporting requirements under clause 3(xiv) are not applicable to the Company not commented upon.
- (xv) 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 as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

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

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jitendra H. Ranawat**

Place: Mumbai

Partner

Date: 11 April 2017

Membership Number: 103380

“Annexure 2” 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, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, 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, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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 financial statements of Axis Finance Limited, which comprise the Balance Sheet as at March 31, 2017, 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 11, 2017 and expressed an unqualified opinion thereon.

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

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per **Jitendra H. Ranawat**

Partner

Place: Mumbai

Date: 11 April 2017

Membership Number: 103380

Balance Sheet

as at 31st March, 2017

	Note No.	As at March 31, 2017	Amount In ₹ As at March 31, 2016
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share capital	3	4,18,25,00,000	3,68,25,00,000
Reserves and surplus	4	4,58,12,77,593	3,57,23,72,119
		8,76,37,77,593	7,25,48,72,119
Non Current Liabilities			
Long term borrowings	5	6,45,00,00,000	6,20,47,89,863
Other Non current liabilities	7	67,58,62,184	34,97,93,603
Long term provisions	8	8,40,07,375	3,90,65,845
		7,20,98,69,559	6,59,36,49,311
Current Liabilities			
Short term borrowings	6	34,21,48,05,463	19,43,56,45,103
Other current liabilities	7	2,42,75,47,497	29,31,64,924
Short term provisions	8	13,96,14,330	10,31,11,627
		36,78,19,67,290	19,83,19,21,654
TOTAL		52,75,56,14,442	33,68,04,43,084
ASSETS			
Non Current Assets			
Fixed assets			
Tangible assets	9	49,47,822	39,96,462
Intangible assets		1,25,07,411	1,42,12,409
Capital work-in-progress		88,32,985	2,55,001
		2,62,88,218	1,84,63,872
Deferred tax asset		5,84,83,318	4,30,29,017
Non current investments	10	1,00,00,00,000	1,87,94,85,000
Long term loans and advances			
a. Loans	11	20,92,71,48,554	9,50,05,96,850
b. Others	12	9,76,43,436	3,85,67,744
Other Non current assets	11.2	1,15,72,603	2,05,25,918
		22,12,11,36,129	11,50,06,68,401
Current assets			
Current investments	10	2,80,00,00,000	53,22,71,861
Trade receivables	13.1	4,22,92,284	-
Cash and bank balances	14	5,65,09,17,425	14,57,477
Short term loans and advances			
a. Loans	11	21,99,28,34,389	21,53,55,66,872
b. Others	12	60,13,250	41,73,284
Other current assets	13.2	14,24,20,965	10,63,05,189
		30,63,44,78,313	22,17,97,74,683
TOTAL		52,75,56,14,442	33,68,04,43,084

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/E300005

Chartered Accountants

per **Jitendra H. Ranawat**

Partner

Membership No. :- 103380

Place: Mumbai

Date: April 11, 2017

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 31st March, 2017

Amount In ₹

	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
Income			
Revenue from operations	15	5,75,40,07,558	3,72,98,96,108
Other income	16	32,571	-
TOTAL INCOME	(A)	5,75,40,40,129	3,72,98,96,108
Expenses			
Employee benefit expense	17	12,42,48,658	8,06,79,557
Finance costs	18	2,95,11,49,521	1,81,22,23,670
Provisions and write off	19	4,54,95,277	7,18,52,459
Other expenses	20	9,48,40,981	6,33,89,786
Depreciation and amortization expense	21	52,51,854	27,61,554
TOTAL EXPENSES	(B)	3,22,09,86,291	2,03,09,07,025
Profit before tax	(C) = (A)-(B)	2,53,30,53,838	1,69,89,89,083
Tax expense:			
Current tax		89,58,94,064	61,61,91,461
Deferred tax		(1,54,54,301)	(2,48,52,839)
PROFIT FOR THE YEAR		1,65,26,14,075	1,10,76,50,460
Earnings per equity share (Face Value ₹ 10 per share)			
Basic			
Computed on the basis of total profit for the year		4.07	3.29
Diluted			
Computed on the basis of total profit for the year		4.07	3.29

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/E300005
Chartered Accountants

per Jitendra H. Ranawat
Partner
Membership No. :- 103380
Place: Mumbai
Date: April 11, 2017

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, 2017

Amount In ₹

	For the Year ending March 31, 2017	For the Year ended March 31, 2016
A. Cash flow from operating activities		
Profit before tax	2,53,30,53,838	1,69,89,89,083
Adjustments for:		
Depreciation	52,51,854	27,61,554
Profit on sale of investment	(43,70,84,301)	-
Provision against standard assets	4,54,95,277	7,18,52,459
Interest on debentures	(56,53,345)	-
Operating profit before working capital changes	2,14,10,63,323	1,77,36,03,096
Movement in working capital:		
Decrease/(increase) in long term loan & advances	(11,42,65,51,704)	(2,07,97,79,275)
Decrease/(increase) in short term loan & advances	(45,91,07,483)	(8,00,38,82,732)
Decrease/(increase) in trade receivables	(4,22,92,284)	3,07,75,120
Decrease/(increase) in other current assets	(3,61,15,776)	(8,39,79,137)
Decrease/(increase) in other non current assets	89,53,315	(1,28,85,313)
Increase/(decrease) in short term provisions	3,67,13,633	48,95,016
Increase/(decrease) in other current liabilities	2,46,04,51,154	(52,56,82,698)
Increase/(decrease) in Long term provisions	(7,64,677)	10,63,458
Cash generated from operations	(7,31,76,50,499)	(8,89,58,72,466)
Income tax paid	(96,14,69,755)	(62,71,33,689)
Net cash flow from operating activities (A)	(8,27,91,20,254)	(9,52,30,06,155)
B. Cash flow from investing activities		
Interest received on NCD	56,53,345	-
Purchase of fixed assets	(28,12,927)	(29,27,681)
Payment for Intangibles	(1,02,63,273)	(80,67,008)
Proceeds from sale of investment	10,47,04,71,56,442	2,11,16,20,09,222
Deposit withdrawal	65,00,000	-
Purchase of investment	(10,47,99,83,15,280)	(2,00,03,45,89,011)
Net cash flow from investing activities(B)	(95,20,81,693)	11,11,64,25,522

Amount In ₹

	For the Year ending March 31, 2017	For the Year ended March 31, 2016
C. Cash flow from financing activities		
Proceeds from borrowings (net of repayment)	15,02,43,70,496	(1,94,10,88,217)
Proceed from issue of shares (net of issue expenses)	99,90,00,000	99,90,00,000
payment of dividend	(1,14,27,08,601)	(75,34,68,960)
Net cash flow from financing activities(C)	14,88,06,61,895	(1,69,55,57,177)
Net increase/(decrease) in cash and equivalents(A+B+C)	5,64,94,59,948	(10,21,37,810)
Cash and cash equivalents at the beginning of the year	14,57,477	10,35,95,287
Cash and cash equivalents at the end of the year	5,65,09,17,425	14,57,477

Note:	Mar 31, 2017	March 31, 2016
Cash and cash equivalents includes:		
Cash	13,271	970
Balance with banks	5,65,09,04,154	14,56,507
Bank Overdraft		
	5,65,09,17,425	14,57,477

For **S.R. BATLIBOI & CO. LLP**
 Firm Registration No.301003E/E300005
 Chartered Accountants

per Jitendra H. Ranawat
 Partner
 Membership No. :- 103380
 Place: Mumbai
 Date: April 11, 2017

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

Notes to Financial Statements

for the year ended March 31, 2017

3. Share capital

	March 31, 2017	March 31, 2016
Authorized:		
1,00,00,00,000 (31 March 2016: 1,00,00,00,000) equity shares of ₹10/- each	10,00,00,00,000	10,00,00,00,000
	10,00,00,00,000	10,00,00,00,000
Issued, subscribed and fully paid-up:		
41,82,50,000 (31 March 2016: 36,82,50,000) equity shares of ₹10/- each	4,18,25,00,000	3,68,25,00,000

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

	March 31, 2017		March 31, 2016	
	No.	₹	No.	₹
At the beginning of the year	36,82,50,000	3,68,25,00,000	31,82,50,000	3,18,25,00,000
Issued during the year	5,00,00,000	50,00,00,000	5,00,00,000	50,00,00,000
Outstanding at the end of the year	41,82,50,000	4,18,25,00,000	36,82,50,000	3,68,25,00,000

(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

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

Name of shareholder	March 31, 2017	March 31, 2016
	₹	₹
Axis Bank Limited, the holding Company and its nominees		
41,82,50,000 (31 March 2016: 36,82,50,000) equity shares of ₹ 10/- each	4,18,25,00,000	3,68,25,00,000

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

Name of shareholder	March 31, 2017		March 31, 2016	
	No.	% of holding	No.	% of holding
Equity shares of ₹10 each fully paid				
Axis Bank Limited, the holding Company and its nominees	41,82,50,000	100%	36,82,50,000	100%

4. Reserves and surplus

	March 31, 2017 ₹	March 31, 2016 ₹
Security premium reserve		
Balance as per last Balance Sheet	1,69,90,00,000	1,20,00,00,000
Add:- Addition during the year	50,00,00,000	50,00,00,000
Less:- Utilization during the year against share issue expense	(10,00,00,000)	(10,00,00,000)
Balance at the end of the year	2,19,80,00,000	1,69,90,00,000
Statutory reserve u/s 45-IC of RBI Act		
Balance as per last Balance Sheet	52,61,00,000	30,45,00,000
Add:- Addition during the year	33,06,00,000	22,16,00,000
Balance at the end of the year	85,67,00,000	52,61,00,000
Surplus in the statement of profit and loss		
Balance as per last Balance Sheet	1,34,72,72,119	1,21,46,90,619
Profit for the year	1,65,26,14,075	1,10,76,50,460
“Less:-Interim Dividend 31 March 2017 : ₹ 2.27 per share (31 March 2016 : ₹ 1.70 per share)”	(94,94,27,500)	(62,60,25,000)
Less:-Tax on interim dividend	(19,32,81,101)	(12,74,43,960)
Less:-Transfer to statutory reserve	(33,06,00,000)	(22,16,00,000)
Balance at the end of the year	1,52,65,77,593	1,34,72,72,119
TOTAL	4,58,12,77,593	3,57,23,72,119

5. Long term borrowings

	Non-current		Current maturities	
	March 31, 2017 ₹	March 31, 2016 ₹	March 31, 2017 ₹	March 31, 2016 ₹
Debentures :				
Secured	4,45,00,00,000	6,10,40,00,000	2,00,40,00,000	25,00,00,000
Indian rupee term loan from bank : Secured	-	10,07,89,863	-	-
Unsecured Subordinated Debts	2,00,00,00,000	-	-	-
TOTAL	6,45,00,00,000	6,20,47,89,863	2,00,40,00,000	25,00,00,000

a. 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 accounts receivable upto 1 time cover.

b. Indian rupee term loan is secured by hypothecation of receivable of the company.

c. Particulars of Secured non convertible debentures

Particulars	Face Value	Quantity	Maturity date	As at Mar 31, 2017	As at March 31, 2016
Zero% AFL, 20th November 2017	10,00,000	500	November 20, 2017	50,00,00,000	50,00,00,000
Zero% AFL, 3rd March 2017	10,00,000	250	March 03, 2017	-	25,00,00,000
Zero% AFL, 12th April 2018	10,00,000	150	April 12, 2018	15,00,00,000	15,00,00,000
Zero% AFL, 10th April 2018	10,00,000	200	April 10, 2018	20,00,00,000	20,00,00,000
8.84% AFL , 08th March 2018	10,00,000	50	March 08, 2018	5,00,00,000	5,00,00,000
8.7944% AFL, 24th April 2018	10,00,000	180	April 24, 2018	18,00,00,000	18,00,00,000
8.7731% AFL, 28th March 2018	10,00,000	500	March 28, 2018	50,00,00,000	50,00,00,000
Zero% AFL, 2nd May 2017	10,00,000	384	May 02, 2017	38,40,00,000	38,40,00,000
Zero% AFL, 10th April 2017	10,00,000	170	April 10, 2017	17,00,00,000	17,00,00,000
Zero% AFL, 3rd April 2018	10,00,000	350	April 03, 2018	35,00,00,000	35,00,00,000
Zero% AFL, 27th March 2018	10,00,000	150	March 27, 2018	15,00,00,000	15,00,00,000
Zero % AFL ,05 OCT 2018	10,00,000	70	Oct 05, 2018	7,00,00,000	7,00,00,000
Zero % AFL ,23 OCT 2018	10,00,000	420	Oct 23, 2018	42,00,00,000	42,00,00,000
Zero % AFL ,29 OCT 2018	10,00,000	280	Oct 29, 2018	28,00,00,000	28,00,00,000
8.53% AFL,27th November 2017	10,00,000	250	Nov 27, 2017	25,00,00,000	25,00,00,000
8.85% AFL 29 JAN 2019	10,00,000	100	Jan 29, 2019	10,00,00,000	10,00,00,000
ZERO % AFL,25 MAR 2019	10,00,000	1500	Mar 25, 2019	1,50,00,00,000	1,50,00,00,000
Zero % AFL ,15TH JAN 2019	10,00,000	50	Jan 15, 2019	5,00,00,000	5,00,00,000
8.79%AFL 9 TH APR 2019	10,00,000	500	Apr 9, 2019	50,00,00,000	50,00,00,000
Zero % AFL ,19TH JUL 2019	10,00,000	100	Jul 19, 2019	10,00,00,000	10,00,00,000
Zero % AFL ,25TH APRIL 2019	10,00,000	50	Apr 25, 2019	5,00,00,000	5,00,00,000
Zero % AFL ,06TH MAY 2019	10,00,000	50	May 06, 2019	5,00,00,000	5,00,00,000
Zero % AFL ,28TH JUNE 2019	10,00,000	100	June 28, 2019	10,00,00,000	10,00,00,000
8.50%AFL 17 May 2018	10,00,000	100	May 17, 2018	10,00,00,000	-
Zero% AFL, 27th August 2019	10,00,000	50	Aug 27, 2019	5,00,00,000	-
Zero% AFL, 24th September 2019	10,00,000	50	Sep 24, 2019	5,00,00,000	-
Zero% AFL, 26th December 2019	10,00,000	150	Dec 26, 2019	15,00,00,000	-
TOTAL				6,45,40,00,000	6,35,40,00,000

d. Particulars of Unsecured non convertible debentures

Particulars	Face Value	Quantity	Maturity date	As at Mar 31, 2017	As at Mar 31, 2016
8.80% AFL 05 AUG 2026 (Unsecured Sub Debt)	10,00,000	200	Aug 05, 2026	2,00,00,00,000	-
TOTAL				2,00,00,00,000	-

The above Non Convertible Debentures are classified as under:

	As at Mar 31, 2017	As at Mar 31, 2016
Non-current long term borrowings	6,45,00,00,000	6,10,40,00,000
Current maturities of long term borrowings	2,00,40,00,000	25,00,00,000
TOTAL	8,45,40,00,000	6,35,40,00,000
Total Secured & Unsecured Non Convertible Debentures	8,45,40,00,000	6,35,40,00,000

6. Short term borrowings

	March 31, 2017 ₹	March 31, 2016 ₹
Secured		
Loan from banks	5,50,87,39,319	7,43,11,69,524
Unsecured		
Loan from banks	-	97,17,47,988
Unsecured commercial paper	29,05,00,00,000	11,15,00,00,000
Less: Unexpired Discount	(34,39,33,856)	(11,72,72,409)
TOTAL	34,21,48,05,463	19,43,56,45,103

Short term borrowings amount to ₹ 5,50,87,39,319 (previous year ₹ 7,43,11,69,524) 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 @ 8.05% to 9.60%.

Unexpired discount on commercial paper is net of ₹ 34,39,33,856 (previous year ₹ 11,72,72,409) towards interest accrued but not due. These carry interest @ 6.65% to 8.00%. In respect of commercial paper maximum amount outstanding during the year was ₹53,96,27,53,914 (previous year ₹ 41,45,88,98,967).

7. Other Liabilities

	Long term		Short term	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	₹	₹	₹	₹
Current maturities of long term borrowings	-	-	2,00,40,00,000	25,00,00,000
Interest accrued but not due	67,58,62,184	34,97,93,603	35,45,43,357	2,75,06,556
Creditors for expenses				
-Due to holding Company 'Axis Bank Limited'	-	-	4,44,150	70,63,752
-Due to others	-	-	6,71,76,895	82,16,785
-Undisputed statutory dues	-	-	13,83,095	3,77,831
TOTAL	67,58,62,184	34,97,93,603	2,42,75,47,497	29,31,64,924

8. Provisions

	Long term		Short term	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	₹	₹	₹	₹
Provision against standard assets	8,37,08,594	3,80,02,387	8,80,28,442	8,82,39,372
Provision for expenses	-	-	96,15,437	15,28,062
Provision for employee benefits				
-Provision for compensated absences	2,98,781	10,63,458	12,49,781	2,39,160
-Provision for gratuity	-	-	7,20,670	1,05,033
-Employee benefit payable	-	-	4,00,00,000	1,30,00,000
TOTAL	8,40,07,375	3,90,65,845	13,96,14,330	10,31,11,627

9. Fixed assets

Amount in ₹

Particulars	Gross block			Depreciation			Net block		
	As at April 01, 2016	Addition during the year	Deductions/ Adjustments	March 31, 2017	As at April 01, 2016	Provided during the year	Deductions/ Adjustments	March 31, 2017	As at March 31, 2016
A. Tangible assets :									
Computers	41,40,823	27,46,519	-	68,87,341	9,83,110	14,76,946	-	44,27,286	31,57,713
Office equipment	3,05,693	66,408	-	3,72,101	2,72,612	75,063	-	24,426	33,081
Furniture & fixtures	1,00,223	-	-	1,00,223	25,988	10,022	-	36,010	74,235
Vehicles	6,51,427	-	6,51,427	-	3,59,556	2,91,871	6,51,427	0	2,91,871
Land and Building	4,50,000	-	-	4,50,000	10,438	7,665	-	18,103	4,39,562
Total - Tangible Assets (A)	56,48,166	28,12,927	6,51,427	78,09,665	16,51,704	18,61,567	6,51,427	49,47,822	39,96,462
B. Intangible Assets :									
Software	1,58,14,456	16,85,289	-	1,74,99,745	16,02,047	33,90,287	-	1,25,07,411	1,42,12,409
	-	-	-	-	-	-	-	-	-
Total - Intangible Assets (B)	1,58,14,456	16,85,289	-	1,74,99,745	16,02,047	33,90,287	-	1,25,07,411	1,42,12,409
Total (A+B)	2,14,62,622	44,98,215	6,51,427	2,53,09,410	32,53,751	52,51,854	6,51,427	1,74,55,233	1,82,08,871
Capital Work-in-Progress								88,32,985	2,55,001
Total								2,62,88,218	1,84,63,872

10. Investment

	Non current		Current Maturities	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	₹	₹	₹	₹
Investment in debenture/bonds (valued at cost unless stated otherwise)				
Quoted				
NIL (Previous year 110) Annapurna Microfinance Private Limited (redeemable on 15 April 2016)	-	-	-	25,18,106
NIL (Previous year 110) Arohan Financial Services Private Limited (redeemable on 15 April 2016)	-	-	-	24,77,841
NIL (Previous year 66) Asirvad Micro Finance Private Limited (redeemable on 15 April 2016)	-	-	-	15,10,863
NIL (Previous year 500) Dalmia Bharat Cement Limited	-	90,00,00,000	-	-
NIL (Previous year 100) Disha Microfin Private Limited (redeemable on 15 April 2016)	-	-	-	21,79,200
NIL (Previous year 110) Future Financial Services Ltd (redeemable on 15 April 2016)	-	-	-	23,97,120
NIL (Previous year 78) India School Finance Company (redeemable on 15 April 2016)	-	-	-	17,85,566
NIL (Previous year 77) Intrepid Finance and Leasing Private Limited (redeemable on 15 April 2016)	-	-	-	17,90,769
NIL (Previous year 110) Pahal Financial Services (redeemable on 15 April 2016)	-	-	-	25,18,106
NIL (Previous year 132) Suryoday Microfinance Private Limited (redeemable on 15 April 2016)	-	-	-	28,27,995
NIL (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2018)	-	15,00,00,000	-	-
NIL (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2019)	-	15,00,00,000	-	-
NIL (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2020)	-	15,00,00,000	-	-
NIL (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2021)	-	15,00,00,000	-	-
NIL (Previous Year NIL) NCD - DCB Power Ventures Ltd(redeemable on 30 September 2022)	-	15,00,00,000	-	-
NIL (Previous year 99) SV Creditline Private Limited (redeemable on 15 April 2016)	-	-	-	22,66,295
NIL (Previous year 4,420) 8.67% National Hydroelectric Power Corporation (redeemable on 02 November 2033)	-	44,20,000	-	-
NIL (Previous year 767) 8.67% Power Finance Corporation Limited (redeemable on 16 November 2033)	-	7,67,000	-	-
NIL (Previous year NIL) 7.35% Indian Railway Finance Corporation Limited (redeemable on 22 March 2031)	-	12,10,93,000	-	-

	Non current		Current Maturities	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	₹	₹	₹	₹
NIL (Previous year NIL) 7.35% National Bank For Agriculture And Rural Development (redeemable on 23 March 2031)	-	10,32,05,000	-	-
Unquoted				
NIL (Previous year 760) Azalea Enterprises Private Limited (redeemable on 16 March 2019)	-	-	-	51,00,00,000
1000 (Previous year NIL) 11.28% Reliance Big Entertainment Pvt Ltd 2019 (redeemable on 26 April 2019)	1,00,00,00,000	-	-	-
Investment in Mutual funds (valued at lower of cost or market value)				
Unquoted				
Axis Liquid Fund - (Direct Growth (CF - DG)	-	-	1,80,00,00,000	-
Kotak Mutual Fund (Liquid Direct Plan Growth)	-	-	1,00,00,00,000	-
TOTAL	1,00,00,00,000	1,87,94,85,000	2,80,00,00,000	53,22,71,861

1. Aggregate amount of quoted investment at market value NIL (Previous year ₹ 1,93,67,60,312).

2. Aggregate amount of unquoted investments at cost ₹ 3,80,00,00,000 (Previous year 51,00,00,000).

11. Loans

	Non current		Current	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Secured loans	20,92,71,48,554	9,50,05,96,850	19,88,52,29,368	19,83,55,66,872
Unsecured loans	-	-	2,10,76,05,021	1,70,00,00,000
Total	20,92,71,48,554	9,50,05,96,850	21,99,28,34,389	21,53,55,66,872

The classification of loans under RBI guidelines is as under:

	March 31, 2017	March 31, 2016
(i) Standard assets	42,91,99,82,943	31,03,61,63,722
(ii) Sub-standard assets	-	-
(iii) Doubtful assets	-	-
(iv) Loss assets	-	-
Total **	42,91,99,82,943	31,03,61,63,722

The above Loans are classified as under:

	March 31, 2017	March 31, 2016
Non-current secured loans	20,92,71,48,554	9,50,05,96,850
Current secured and unsecured loans	21,99,28,34,389	21,53,55,66,872
Total	42,91,99,82,943	31,03,61,63,722

**Loans to the extent of ₹ 40,81,23,77,923 (previous year ₹ 29,33,61,63,722) 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.

12. Others

	Non-current		Current	
	March 31, 2017 ₹	March 31, 2016 ₹	March 31, 2017 ₹	March 31, 2016 ₹
Other loans and advances				
Security deposits, unsecured, considered good	-	65,00,000	-	-
Advance tax (net of provision for tax)	9,76,43,436	3,20,67,744	-	-
Prepaid expenses	-	-	35,42,364	41,48,297
Other advances	-	-	24,70,886	24,987
TOTAL	9,76,43,436	3,85,67,744	60,13,250	41,73,284

13. Trade receivables and other assets

13.1 Trade receivables

		Non-current		Current	
		March 31, 2017 ₹	March 31, 2016 ₹	March 31, 2017 ₹	March 31, 2016 ₹
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		-	-	4,22,92,284	-
Doubtful		-	-	-	-
		-	-	4,22,92,284	-
Provision for doubtful receivables		-	-	-	-
	(B)	-	-	4,22,92,284	-
	Total (A) + (B)	-	-	4,22,92,284	-

13.2 Other assets

	Non-current		Current	
	March 31, 2017 ₹	March 31, 2016 ₹	March 31, 2017 ₹	March 31, 2016 ₹
Interest accrued but not due on others	1,15,72,603	2,05,25,918	14,24,20,965	10,63,05,189
TOTAL	1,15,72,603	2,05,25,918	14,24,20,965	10,63,05,189

14. Cash and bank balances

		Non-current		Current	
		March 31, 2017 ₹	March 31, 2016 ₹	March 31, 2017 ₹	March 31, 2016 ₹
Cash and cash equivalents:					
- Cash on hand		-	-	13,271	970
Balances with banks:					
- On current accounts		-	-	5,59,92,10,088	14,56,507
- On overdraft accounts		-	-	5,16,94,066	-
- Deposits with original maturity for less than 3 months		-	-	-	-
	A	-	-	5,65,09,17,425	14,57,477
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	-	-	5,65,09,17,425	14,57,477

15. Revenue from operations

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Interest income		
Interest income on loans	4,48,71,20,516	3,08,44,50,051
Interest income on investments	22,69,22,341	16,90,98,718
Other operating revenue		
Income from processing fees	59,76,69,783	33,69,33,915
Income from advisory fees	52,09,067	6,15,00,000
Profit on sale of investments	43,70,85,851	7,79,13,424
TOTAL	5,75,40,07,558	3,72,98,96,108

16. Other income

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Profit on sale of Vehicle	32,571	-
Total	32,571	-

17. Employee benefits expense

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Salaries, Wages and Bonus	11,91,73,963	7,72,53,743
Contribution to provident & other funds	26,33,334	20,41,668
Gratuity Expense (Refer Note 28)	6,15,637	1,05,033
Staff welfare	18,25,724	12,79,114
TOTAL	12,42,48,658	8,06,79,557

18. Finance costs

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Interest on loan from bank and other financial expenses	2,91,00,48,562	1,79,21,98,974
Other finance expenses	4,11,00,959	2,00,24,696
TOTAL	2,95,11,49,521	1,81,22,23,670

19. Provisions and write off

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Provision against standard assets	4,54,95,277	7,18,52,459
Total	4,54,95,277	7,18,52,459

20. Other expenses

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Rent, Rates and Taxes	98,76,579	1,00,88,800
Electricity expenses	9,31,129	9,73,299
Repairs and maintenance - others	11,95,957	21,54,075
Printing and stationery	7,48,322	3,35,391
Travelling and conveyance	1,53,07,252	69,82,874
Professional fees	2,34,87,462	1,17,90,130
CSR expenditure (Refer Note 56)	2,25,20,176	1,22,24,577
Director sitting fees	26,00,000	17,00,000
Auditor Remuneration :		
Statutory audit & Limited review	19,50,000	17,50,000
Statutory audit certification fee	3,00,000	3,00,000
Telephone and internet expenses	21,87,824	17,34,873
Business promotion	21,68,351	14,76,947
Rates & taxes	6,40,012	6,07,939
Service charges	16,07,772	18,53,284
Office expenses	17,01,912	14,14,777
Miscellaneous expenses	76,18,233	80,02,820
TOTAL	9,48,40,981	6,33,89,786

21. Depreciation and amortization expense

	For the period ending Mar 31, 2017 ₹	For the year ended March 31, 2016 ₹
Tangible assets	18,61,567	12,11,479
Intangible assets	33,90,287	15,50,075
TOTAL	52,51,854	27,61,554

22. Estimated amount of contracts remaining to be executed on capital account – ₹ 57,86,686 (Previous Year ₹ 26,99,014).

23. There is no contingent liability as at March 31, 2017 (previous year ₹ Nil).

24. There are no restructured loans as at March 31, 2017 (previous year ₹ Nil).

25. Basic and Diluted Earnings per share (EPS) computed in accordance with Accounting Standard (AS) 20 “Earnings per share”

Particulars		2016 – 2017 (₹)	2015 – 2016 (₹)
Basic			
Profit after tax as per Statement of Profit and Loss	A	1,65,26,14,075	1,10,76,50,460
Weighted Average Number of Shares	B	40,63,32,192	33,68,29,235
Basic Earnings per share	A/B	4.07	3.29
Diluted			
Adjusted Profit after tax	C	1,65,26,14,075	1,10,76,50,460
Weighted Average Number of Shares	D	40,63,32,192	33,68,29,235
Diluted Earnings per share	C/D	4.07	3.29
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”)

A. Treds Limited (“ATL”)

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)	22,51,80,460	-	-	22,51,80,460
	(9,88,77,989)	(-)	(-)	(9,88,77,989)
Capital Receipts and Payments				
Commercial Paper Issued (ABL)	1,47,32,40,000	-	-	1,47,32,40,000
	(-)	(-)	(-)	(-)
Issue of Equity Share Capital (Including Share premium) (ABL)	1,00,00,00,000	-	-	1,00,00,00,000
	(1,00,00,00,000)	(-)	(-)	(1,00,00,00,000)
Non-Convertible Debentures (ABL)	2,00,00,00,000	-	-	2,00,00,00,000
	(-)	(-)	(-)	(-)
Expenses				
Dividend Paid (ABL)	94,94,27,500	-	-	94,94,27,500
	(62,60,25,000)	(-)	(-)	(62,60,25,000)
Rent paid (ABL)	96,94,579	-	-	96,94,579
	(96,12,300)	(-)	(-)	(96,12,300)
Rent paid (ASL)	-	3,42,000	-	3,42,000
	(-)	(2,56,500)	(-)	(2,56,500)
Bank charges (ABL)	24,787	-	-	24,787
	(8,774)	(-)	(-)	(8,774)
NACH charges (ABL)	403	-	-	403
	(-)	(-)	(-)	(-)
Reimbursement of staff cost (ABL)	2,98,88,767	-	-	2,98,88,767
	(2,90,80,849)	(-)	(-)	(2,90,80,849)
Interest paid on borrowings (ABL)	4,91,04,278	-	-	4,91,04,278
	(1,81,02,981)	(-)	(-)	(1,81,02,981)
Internet charges paid (ASL)	-	88,750	-	88,750
	(-)	(1,12,738)	(-)	(1,12,738)
Demat Charges (ASL)	-	55,745	-	55,745
	(-)	(59,319)	(-)	(59,319)
Demat Charges (ABL)	81,202	-	-	81,202
	(20,242)	-	-	(20,242)
Professional fees (ATSL)	-	7,50,000	-	7,50,000
	(-)	(10,00,000)	(-)	(10,00,000)
Salary, Rent and contribution to PF	-	-	1,45,33,609	1,45,33,609
	(-)	(-)	(1,11,28,033)	(1,11,28,033)
Service charges (ACL)	-	13,80,615	-	13,80,615
	(-)	(12,80,492)	(-)	(12,80,492)
Brokerage paid (ASL)	-	2,10,853	-	2,10,853
	(-)	(-)	(-)	(-)
IPA commission charges paid (ABL)	11,20,000	-	-	11,20,000
	(-)	(-)	(-)	(-)
Retainership fees reimbursement (ABL)	24,000	-	-	24,000
	(-)	(-)	(-)	(-)
Service charges other – IT Service fees (ABL)	42,069	-	-	42,069
	(-)	(-)	(-)	(-)
Referral fees (ABL)	16,796	-	-	16,796
	(-)	(-)	(-)	(-)

Particulars	Holding Company ₹	Fellow Subsidiary ₹	Key Management Personnel ₹	Total ₹
Arrangership fees (ABL)	72,00,000	-	-	72,00,000
	(-)	(-)	(-)	(-)
Escrow fees (ABL)	3,69,500	-	-	3,69,500
	(-)	(-)	(-)	(-)
Other Reimbursement of Expenses (ABL)	60,14,552	-	-	60,14,552
	(60,06,909)	(-)	(-)	(60,06,909)
Closing Balance				
Share Capital (ABL)	4,18,25,00,000	-	-	4,18,25,00,000
	(3,68,25,00,000)	(-)	(-)	(3,68,25,00,000)
Non-Convertible Debentures (ABL)	56,10,00,000	-	-	56,10,00,000
	-	-	-	-
Short term borrowings (ABL)	-	-	-	-
	(97,17,47,988)	(-)	(-)	(97,17,47,988)
LOC Account Balance (ABL)	5,16,94,066	-	-	5,16,94,066
	(-)	(-)	(-)	(-)
Current account balance (ABL)	4,80,31,15,137	-	-	4,80,31,15,137
	(10,35,813)	(-)	(-)	(10,35,813)
Processing fees Receivable (ABL)	4,20,22,764	-	-	4,20,22,764
	(-)	(-)	(-)	(-)
Sundry payables (ABL)	4,44,150	-	-	4,44,150
	(70,63,752)	(-)	(-)	(70,63,752)
Sundry payables (ASL)	-	94,834	-	94,834
	(-)	(44,159)	(-)	(44,159)

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.

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)*:

	2016-17 (₹)	2015-16 (₹)
Current service cost	3,94,608	3,09,318
Interest cost on benefit obligation	2,48,688	2,15,371
Expected return on plan assets	(2,40,327)	(1,50,243)
Net actuarial (gain)/loss recognized in the year	2,12,668	(2,69,041)
Past service cost	-	-
Transferred from group Company	-	-
Net benefit expense/(income)	6,15,637	1,05,405

Provision for gratuity recognized in Balance Sheet*:

	2016-17 (₹)	2015-16(₹)
Projected benefit obligation	(39,12,342)	(31,24,216)
Fair value of plan assets	31,91,672	30,19,183
Less: Unrecognised past service cost	-	-
Plan liability	7,20,670	1,05,033

Actual return on plan assets

	2016-17 (₹)	2015-16(₹)
Expected return on plan assets	2,40,327	1,50,243
Actuarial gains/(losses) on plan assets	(67,838)	1,59,501
Actual Return on plan assets	1,72,489	3,09,744

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

	2016-17 (₹)	2015-16(₹)
Opening projected benefit obligation	31,24,216	27,09,067
Interest cost	2,48,688	2,15,371
Current service cost	3,94,608	3,09,318
Liability transferred in	-	-
Actuarial (gains)/losses on obligation	1,44,830	(1,09,540)
Closing projected benefit obligation	39,12,342	31,24,216

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

	2016-17 (₹)	2015-16(₹)
Opening fair value of plan assets	30,19,183	18,89,844
Expected return	2,40,327	1,50,243
Contributions by employer	-	8,19,595
Benefits paid	-	-
Actuarial gains/(losses)	(67,838)	1,59,501
Closing fair value of plan assets	31,91,672	30,19,183

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

Gratuity

	March 31, 2017	March 31, 2016
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*:

	2016-17	2015-16
Discount rate	7.39%	7.96%
Expected rate of return on assets	7.39%	7.96%
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 and previous four periods are as follows:

	2016-17 (₹)	2015-16 (₹)	2014-15 (₹)	2013-14 (₹)	2012-13 (₹)
Projected benefit obligation	39,12,342	31,24,216	27,09,067	18,70,934	-
Plan assets	31,91,672	30,19,183	18,89,844	2,49,457	-
(Surplus) /deficit	7,20,670	1,05,033	8,19,223	16,21,477	-
Experience adjustments on plan liabilities	-	-	-	-	-
Experience adjustments on plan assets	-	-	-	-	-

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)	2016-17 (₹)	2015-16(₹)
Depreciation	(14,87,361)	(11,11,541)
Provision for leave encashment	5,35,926	4,50,810
Contingent provision on standard assets	5,94,34,753	4,36,89,748
Total	5,84,83,318	4,30,29,017

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	2016-17	2015-16
(i)	CRAR (%)	23.15%	21.81%
(ii)	CRAR- Tier I Capital (%)	18.52%	21.43%
(iii)	CRAR- Tier II Capital (%)	4.63%	0.38%
(iv)	Amount of subordinated debt raised as Tier-II capital	₹2,00,00,00,000	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

33. Exposure to Real Estate Sector

Particulars	2016-17 (₹)	2015-16 (₹)
a) Direct Exposure		
(i) Residential Mortgages	51,85,87,007	26,43,32,865
(ii) Commercial Real Estate	10,24,28,53,996	9,61,87,73,555
(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	10,76,14,41,003	9,88,31,06,420

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 2017 and 31 March 2016 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 and CRISIL Limited have 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+	7,000	12 months	31st January 2018
CIRISIL Limited	Long term	CRISIL AAA/ Stable	2,000	-	Yearly Surveillance
	Short term	CIRSIL A1+	8,000	12 months	25th August, 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 2016-17

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	2,50,93,71,517	79,99,23,807	3,36,25,21,149	4,90,49,25,672	10,41,60,92,244	14,06,95,08,061	6,85,76,40,494	-	42,91,99,82,944
Investments	2,80,00,00,000	-	-	-	-	1,00,00,00,000	-	-	3,80,00,00,000
Borrowings	13,89,75,22,927	9,83,88,39,815	6,90,73,38,370	4,12,51,04,351	1,45,00,00,000	4,45,00,00,000	-	2,00,00,00,000	42,66,88,05,463
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency 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	1,63,23,36,996	38,74,03,899	2,57,25,10,851	3,88,32,70,771	13,23,43,26,409	7,68,63,56,463	1,63,99,58,333	-	31,03,61,63,722
Investments	2,22,71,861	-	-	-	51,00,00,000	15,00,00,000	1,20,00,00,000	52,94,85,000	2,41,17,56,861
Borrowings	11,89,65,59,897	5,08,68,01,135	1,96,35,73,157	48,87,10,914	25,00,00,000	5,40,47,89,863	80,00,00,000	-	25,89,04,34,966
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

43. Investments

(Amount in ₹)

Particulars	2016-17	2015-16
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	3,80,00,00,000	2,41,17,56,861
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	3,80,00,00,000	2,41,17,56,861
(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	2016-17	2015-16
(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;	7,37,72,31,208	4,52,96,18,738
(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;	17,00,32,29,872	11,68,90,08,857
(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;	7,68,00,692	41,03,563
(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;	-	-

	Particulars	2016-17	2015-16
(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	24,45,72,61,772	16,22,27,31,158

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	2016-17 (₹)	2015-16 (₹)
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	89,58,94,064	61,61,91,461
Other Provisions and Contingencies	-	-
Provision for Standard Assets	4,54,95,277	7,18,52,459
Total	94,13,89,341	68,80,43,920

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

51. Concentration of Advances

Particulars	2016-17 (₹)	2015-16 (₹)
Total Advances to Twenty Largest Borrowers	19,21,70,72,623	15,90,72,50,116
Percentage of Advances to Twenty Largest Borrowers to Total Advances	44.76%	51.25%

52. Concentration of Exposures

Particulars	2016-17 (₹)	2015-16 (₹)
Total Exposure to Twenty Largest Borrowers / customers	20,43,61,65,992	17,09,43,57,453
Percentage of Exposures to Twenty Largest Borrowers / Customers to Total Exposure of Axis Finance on borrowers / customers	37.13%	43.68%

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	2016-17	2015-16
(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. Amount Spent towards Corporate Social Responsibility (CSR)

Particulars	2016-17 (₹)		2015-16 (₹)	
a) Gross amount required to be spent by the company during the year	2,25,20,176		1,22,24,577	
b) Amount spent during the year ending on 31st March:	In cash	Yet to be paid in cash	In cash	Yet to be paid in cash
(i) Construction/acquisition of any asset	-	-	-	-
(ii) On purposes other than (i) above	2,25,20,176	-	1,22,24,577	-

57. Details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016 as provided in the Table below:-

	SBNs (₹)	Other denomination notes(₹)	Total(₹)
Closing cash in hand as on 08.11.2016	14,500	1,378	15,878
(+) Permitted receipts	-	20,000	20,000
(-) Permitted payments	-	(2,968)	(2,968)
(-) Amount deposited in Banks	(14,500)	-	(14,500)
Closing cash in hand as on 30.12.2016	-	18,410	18,410

58.Details of Auditors Remuneration

Particulars	2016-17 (₹)	2015-16(₹)
For Statutory Audit and Limited Review	19,50,000	17,50,000
For Certification Services	3,00,000	3,00,000
	22,50,000	20,50,000

59. On 4th July 2016, the Board of Directors of the Company had approved the acquisition of Axis Private Equity Limited, a wholly owned subsidiary of the Bank. As per the Scheme, Company will issue the shares to Axis Bank Ltd for acquisition of Axis Private Equity Limited. The appointed date of acquisition is 1st April, 2016, and the parties shall proceed with filing the Scheme and other necessary documents with the relevant High Courts and other regulatory authorities for their approval. Pending the requisite approval, no effect of acquisition has been given in the books.

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

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/E300005

Chartered Accountants

per Jitendra H. Ranawat

Partner

Membership No. :- 103380

Place: Mumbai

Date: April 11, 2017

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

Notes forming part of financial statements

for the year ended March 31, 2017

Schedule to the Balance Sheet of a non-deposit taking non-banking financial company

	(₹) Amount outstanding as at March 31,2017	(₹) Amount overdue as at March 31, 2017	(₹) Amount outstanding as at March 31,2016	(₹) Amount overdue as at March 31, 2016
Liabilities side :				
(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:				
(a) Debentures : Secured	7,36,92,24,687	-	6,73,13,00,159	-
: Unsecured (other than falling within the meaning of public deposits*)	2,11,51,80,854	-	-	-
(b) Deferred Credits	-	-	-	-
(c) Term Loans	-	-	10,07,89,863	-
(d) Inter-corporate loans and borrowing	-	-	-	-
(e) Commercial Paper	28,70,60,66,144	-	11,03,27,27,591	-
(f) Public Deposits*	-	-	-	-
(f) Other Loans (Bank's Line of Credit)	5,50,87,39,319	-	8,40,29,17,512	-
*Please see Note 1 below				
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :				
(a) In the form of Unsecured debentures	-	-	-	-
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-	-	-
(c) Other public deposits	-	-	-	-
*Please see Note 1 below				
Assets side :				
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :				
(a) Secured	40,81,23,77,923	-	29,33,61,63,722	-
(b) Unsecured	2,10,76,05,021	-	1,70,00,00,000	-
(4) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities				
(i) Lease assets including lease rentals under sundry debtors :	-	-	-	-
(a) Financial lease	-	-	-	-
(b) Operating lease	-	-	-	-

	(₹) Amount outstanding as at March 31,2017	(₹) Amount overdue as at March 31, 2017	(₹) Amount outstanding as at March 31,2016	(₹) Amount overdue as at March 31, 2016
(ii) Stock on hire including hire charges under sundry debtors:	-	-	-	-
(a) Assets on hire	-	-	-	-
(b) Repossessed Assets	-	-	-	-
(iii) Other loans counting towards AFC activities	-	-	-	-
(a) Loans where assets have been repossessed	-	-	-	-
(b) Loans other than (a) above	-	-	-	-

	As at March 31, 2017 (₹)	As at March 31, 2016(₹)
(5) Break-up of Investments :		
<u>Current Investments :</u>		
1. Quoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	2,22,71,861
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	51,00,00,000
(iii) Units of mutual funds	2,80,00,00,000	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
<u>Long Term investments :</u>		
1. Quoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	1,87,94,85,000
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted :		
(i) Shares : (a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	1,00,00,00,000	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
	3,80,00,00,000	2,41,17,56,861

(6) Borrower group-wise classification of assets financed as in (3) and (4) above :

Please see Note 2 below

Category	Amount (₹) net of provisions as at March 31, 2017			Amount (₹) net of provisions as at March 31, 2016		
	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	40,81,23,77,923	2,10,76,05,021	42,91,99,82,944	29,33,61,63,722	1,70,00,00,000	31,03,61,63,722
TOTAL	40,81,23,77,923	2,10,76,05,021	42,91,99,82,944	29,33,61,63,722	1,70,00,00,000	31,03,61,63,722

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

Please see note 3 below

Category	Market Value / Break up or fair value or NAV* as at March 31, 2017(₹)	Book Value (Net of Provisions) as at March 31, 2017(₹)	Market Value / Break up or fair value or NAV* as at March 31, 2016(₹)	Book Value (Net of Provisions) as at March 31, 2016(₹)
1. Related Parties **				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	3,86,06,49,516	3,80,00,00,000	2,50,30,65,085	2,41,17,56,861
TOTAL	3,86,06,49,516	3,80,00,00,000	2,50,30,65,085	2,41,17,56,861

* Disclosure is made in respect of available information

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

(8) Other information

	Particulars	2016-17 Amount (₹)	2015-16 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 and Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016.
- 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, 2017

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.

2.1 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:

- a. 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.

- b. Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- c. Dividend is accounted when the right to receive is established.
- d. Front end fees on processing of loans are recognised upfront as income.
- e. 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.
- f. All other fees are recognized when reasonable right of recovery is established, revenue can be reliably measured as and when they become due.
- g. 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 Company has used below estimated useful lives 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. 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 at rates as prescribed by the RBI.

VII. 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%.

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.

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.
- 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 reasonably 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 tax liabilities 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 liability 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.



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