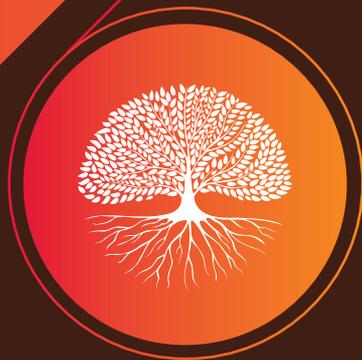


# MODEL BUSINESS

Large  
Opportunity



Strong  
Fundamentals



# Contents

---

## Mahindra Insurance Brokers Limited 04-49

---

- 04** Directors' Report to the Shareholders
- 29** Independent Auditors' Report
- 34** Balance Sheet
- 35** Statement of Profit and Loss
- 36** Cash Flow Statement
- 37** Significant Accounting Policies and Notes

---

## Mahindra Rural Housing Finance Limited 50-113

---

- 50** Directors' Report to the Shareholders
- 82** Independent Auditors' Report
- 88** Balance Sheet
- 89** Statement of Profit and Loss
- 90** Cash Flow Statement
- 91** Significant Accounting Policies and Notes
- 113** Disclosure in the Balance Sheet

---

## Mahindra Asset Management Company Private Limited 114-153

---

- 114** Directors' Report to the Shareholders
- 135** Independent Auditors' Report
- 140** Balance Sheet
- 141** Statement of Profit and Loss
- 142** Cash Flow Statement
- 143** Significant Accounting Policies and Notes

---

## Mahindra Trustee Company Private Limited 154-180

---

- 154** Directors' Report to the Shareholders
- 168** Independent Auditors' Report
- 174** Balance Sheet
- 175** Statement of Profit and Loss
- 176** Cash Flow Statement
- 177** Significant Accounting Policies and Notes

We have been successful over the years because of our ability to anticipate market needs and business trends and responded with the right combination of products and partnerships. We believe that to be successful, we must consistently perform and deliver results responsibly.

We are well positioned to deliver profitable growth – and continue our vision of improving lives across the rural and semi-urban landscape of India.



A consistent focus on our customers leads us to create tailor-made solutions and match their aspirations



Empowering Rural India by providing affordable finance for a variety of needs



Cultivating long-term relationships across the ecosystem, from OEMs to Financial Institutions



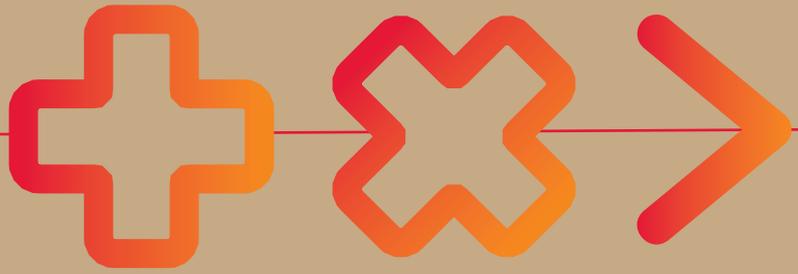
Leveraging reach and technology to ensure efficient service delivery and deeper market presence



Growing our people strength and enhancing the competencies of our team in line with our vision and growth agenda

A business model is more than a mere representation of operations. It is the culmination of an idea and the blueprint of how that idea is put into motion. If successful, a business model represents the outcome of hope, courage, entrepreneurship and dogged determination. The real challenge for a business model comes when it is tested against adversity. When an organisation and its approach sustain through the challenges of volatile and uncertain business cycles, and still deliver for their stakeholders, they can be safely called a Model Business!





Over two decades ago, long before the word 'business model' came to be commonplace, Mahindra Finance embarked on a journey to empower rural lives through making affordable credit available. It was an audacious exercise then, and on many counts, remains one till date. However, the distance covered in these years is significant. Today, we are present in over 2.8 lacs villages across the length and breadth of India. We have over four million customers whom we have helped with financial freedom and credit to pursue their dreams.

Like any business, ours is not devoid of risks and challenges. Two years of insufficient monsoons and a gradually recovering economy means that sentiments will take time to improve. It also means that credit offtake will be muted and the recovery will be gradual. For a company like Mahindra Finance, this is the time to reinforce our faith and confidence in the opportunities

that Rural India offers, as it is to remain committed to our business model. It is also time to ensure that customers and their interests remain at the heart of what we do. 2015-16 was a year that tested our business. And our resolve.

However, we continued growing and resourcing our business. We nurtured relationships with stakeholders

across the board. We continued to enrich our offerings to ensure that we are aligned to the specific needs of our customers, and have their interest in mind. We continued to invest in talent and growing our presence. And reaching farther and deeper into Rural India, where we believe the largest opportunity lies.

**WE ARE A  
BUSINESS  
DRIVEN BY A  
LARGE  
OPPORTUNITY.  
AND ROBUST  
FUNDAMENTALS.  
SOME MAY CALL  
IT A MODEL  
BUSINESS.**

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the 29th Annual Report along with the Audited Accounts of your Company for the year ended March 31, 2016.

## 1. FINANCIAL RESULTS

(Amount in Rs. Crores)

Particulars	For the year ended March 31	
	2016	2015
Income	149.20	126.20
Profit before Interest, Depreciation and Taxation	76.54	66.52
Depreciation	(1.34)	(1.24)
Profit before Taxation	75.20	65.28
Provision for Taxation:		
Provision for Current Tax	(26.96)	(22.70)
Provision for Deferred Tax	0.24	0.36
	(26.72)	(22.34)
Profit after Taxation	48.49	42.94
Balance of Profit for prior years	136.83	102.17
Less: Depreciation (net of deferred tax) for earlier years	(0.00)	(0.10)
Amount available for Appropriation	185.32	145.01
Appropriations:		
Transfer to General Reserve	-	4.30
Dividend on Equity Shares (Proposed)	3.87	3.22
Tax on Dividend (Proposed)	0.78	0.66
Surplus carried to Balance Sheet	180.67	136.83

## 2. DIVIDEND

Your Directors recommend a dividend of Rs. 15 per Equity Share on 25,77,320 Equity Shares of Rs.10 each, aggregating to Rs. 3.87 crores. The above dividend, if approved, will be paid to those Members whose names appear in the Register of Members as on the Record Date fixed for this purpose. The dividend including dividend distribution tax, surcharge and education cess will absorb a sum of Rs. 4.65 crores (as against Rs. 3.88 crores on account of dividend of Rs. 12.50 per Equity Share, paid for the previous year).

## 3. RESERVES

No amount is proposed to be transferred to General Reserve and an amount of Rs. 180.67 crores is proposed to be retained in the Statement of Profit and Loss.

## 4. OPERATIONS

The year ended March 31, 2016 marked the 12th year of successful insurance broking operations of your Company. In this journey of 12 years, your Company has been able to service over 6 million insurance cases, largely in the rural and semi-urban markets in India. Your Company has been able to reach the benefit of insurance to over 1,50,000 villages across India. Your Company endeavors to

further increase insurance penetration in rural India as well as become a significant player in global insurance markets.

During the year under review, your Company serviced 1.3 million insurance cases, with a total of 13,30,929 cases for both Life and Non-Life Retail business. The customized Life insurance cover "Mahindra Loan Suraksha" (MLS) increased from 4,59,781 lives covered with a Sum Assured of Rs. 13,515.4 crores in the Financial Year 2014-15 to 5,13,093 lives covered with a Sum Assured of Rs.14,792.8 crores in the Financial Year 2015-16. This is in spite of the general economic slowdown witnessed during the year having a cascading impact on the auto-manufacturing and auto financing industry. A substantial portion of MLS continues to be covered in the rural markets.

Your Company achieved a growth of 24% in Gross Premium facilitated for the Corporate and Retail business lines, increasing from Rs. 1,002.7 crores in the Financial Year 2014-15 to Rs. 1,238.6 crores in the Financial Year 2015-16. The Total Income increased by 18% from Rs. 126.2 crores in the Financial Year 2014-15 to Rs. 149.2 crores in the Financial Year 2015-16. The Profit before Tax increased by 15% from Rs. 65.3 crores to

Rs. 75.2 crores, and the Profit after Tax increased by 13% from Rs. 42.9 crores to Rs. 48.5 crores during the same period. The Networth increased by 26% from Rs. 171.9 crores in the financial year 2014-15 to Rs. 215.7 crores in the financial year 2015-16.

## 5. ACHIEVEMENTS

During the year, your Company was appraised and rated at Maturity Level 3 of the People Capability Maturity Model® (People-CMM®), becoming the first Insurance Broking Company globally to achieve this international benchmark. MIBL joins the league of top companies across the globe practicing People-CMM®. Your Company's achievement of Maturity Level 3 demonstrates that it implements world-class best practices with respect to the management and development of its workforce.

Your Company was the recipient of the Dataquest Business Technology Awards held at Hyatt Regency, Mumbai on August 19, 2015 under the category 'Analytics'. The Awards recognize organizations that have distinguished themselves by creating business value through innovative use of Information Technology.

Your Company was also the recipient of the National Award in Theatre Category at the Engage4More Corporate Talent Championship Season 4 held at the Sahara Star Hotel in Mumbai on September 19, 2015, where talent was encouraged and recognized across singing, music, dance, bands and theatre. The theme of the 6-minute act put up by the team was 'Don't Drink and Drive'.

## 6. SHARE CAPITAL

During the year under review, the Company has neither issued shares with differential voting rights as to dividend, voting or otherwise, nor has issued sweat equity. The Company has not formulated any Employees Stock Option Scheme during the year under review. There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which, loan was given by the Company. As at March 31, 2016, none of the Directors of the Company hold instruments convertible into Equity Shares of the Company.

## 7. DIRECTORS

The composition of the Board of Directors of your Company is in conformity with the provisions of the Companies Act, 2013, as amended from time to time. As at March 31, 2016, the Company

has seven directors of which one is Managing Director, 4 are Non-Executive Directors and two are Independent Directors. The Board reviews and approves strategy and oversees the actions and results of the management to ensure that the long term objectives of enhancing stakeholders' value are met.

None of the Board of Directors hold directorships in more than 10 public companies. None of the directors are related to each other.

Mr. Hemant Sikka (DIN: 00922281) retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Nityanath Ghanekar (DIN: 00009725) and Ms. Anjali Raina (DIN: 02327927) were appointed as Independent Directors of the Company for a period of five years with effect from March 30, 2015. These Independent Directors shall hold the office of directorship for a term of five years. None of the Independent Directors are due for reappointment.

## 8. KEY MANAGERIAL PERSONNEL

Ms. Rupa Joshi, qualified Company Secretary was appointed as the Company Secretary of the Company by the Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee at its meeting held on July 15, 2015.

As at the date of this Report, the Key Managerial Personnel of the Company, as envisaged under the provisions of Section 203 of the Companies Act, 2013, are Dr. Jaideep Devare – Managing Director and Ms. Rupa Joshi – Company Secretary.

## 9. BOARD MEETING AND ANNUAL GENERAL MEETING

The Board of Directors met seven times in Financial Year 2015-16 viz. April 15, 2015, July 15, 2015, September 30, 2015, October 15, 2015, October 27, 2015, January 16, 2016, and March 10, 2016. The maximum interval between any two meetings did not exceed 120 days, as prescribed in the Companies Act, 2013. Necessary quorum was present for all the meetings.

The names and categories of the Directors of the Company, their attendance at the Board Meetings held during the Financial Year 2015-16 and at the last Annual General Meeting of the Company held on July 15, 2015 are as follows:

Names of Directors	Category	Attendance at the Board meetings held during the financial year 2015-16		Attendance at the last Annual General Meeting held on July 8, 2015 (Yes/ No/ N.A.)
		Held	Attended	
Mr. Rajeev Dubey (Chairman)	Non-Executive, Non-Independent	7	7	Yes
Mr. Uday Phadke*	Non-Executive, Non-Independent	2	2	Yes
Mr. Ramesh Iyer	Non-Executive, Non-Independent	7	7	Yes
Mr. Nityanath Ghanekar	Non-Executive, Independent	7	7	Yes
Mr. V. Ravi	Non-Executive, Non-Independent	7	7	Yes
Ms. Anjali Raina	Non-Executive, Independent	7	7	Yes
Mr. Hemant Sikka	Non-Executive, Non-Independent	7	6	Yes
Dr. Jaideep Devare	Non-Independent, Executive	7	7	Yes

\* Mr. Uday Y. Phadke retired from the Board w.e.f. July 15, 2015.

## 10. MEETING OF INDEPENDENT DIRECTORS

During the year 2015-16, two meetings of the Independent Directors were held on October 15, 2015 and March 10, 2016. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

Director

The Committee met four times during the year on April 15, 2015, July 15, 2015, October 15, 2015 and January 16, 2016. The Committee passed a Resolution by Circulation on March 26, 2016.

## 11. COMMITTEES OF THE BOARD

The Company has several committees which are in compliance with the requirements of the relevant provisions of applicable laws and statutes.

The terms of reference of the Audit Committee were revised during the year under review to bring them in line with the provisions of the Companies Act, 2013. The revised terms of reference of the Audit Committee are:

The Company has following Committees of the Board:

- i) Audit Committee
- ii) Nomination and Remuneration Committee
- iii) Corporate Social Responsibility Committee

### i) Audit Committee

The Audit Committee was re-constituted by the Board on March 30, 2015 pursuant to the appointment of independent directors on the Board. The Audit Committee comprises of:

Mr. Nityanath Ghanekar – Chairman & Independent Director

Ms. Anjali Raina - Independent Director

Mr. V. Ravi - Non-Executive and Non-Independent

- a) To recommend appointment, remuneration and terms of appointment of auditors and internal auditors of the Company;
- b) To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- c) To examine the quarterly and annual financial statements and the auditors' report thereon;
- d) To approve or subsequently modify transactions of the Company with related parties;
- e) To scrutinize inter-corporate loans and investments;

- f) To undertake valuation of undertakings or assets of the Company, wherever it is necessary;
- g) To evaluate internal financial controls and risk management systems;
- h) To monitor the end use of funds raised through public offers and related matters;
- i) If required, to call for the comments of the auditors about internal control systems, the scope of audit, including observation of the auditors.
- j) To review the financial statements before their submission to the Board.
- k) If required to discuss with the internal and statutory auditors and the management of the Company any issues related to internal control system, scope of audit and financial statements;
- l) To investigate in to any matter in relation to the items specified in point nos. (i) to (k) above or matters which are referred to it by the Board and for this purpose, to obtain professional advice from external sources and have full access to information contained in the records of the Company.
- m) To formulate the scope, functioning, periodicity and methodology for conducting the internal audit in consultation with the Internal Auditor;
- n) To discharge from time to time such other acts, duties and functions as may be assigned by the Board of Directors or prescribed under the Companies Act, 2013 or any other applicable law and Rules made thereunder.

The attendance of the members of the Audit Committee at its meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	Attendance at the meetings held during the financial year 2015-16	
		Held	Attended
Mr. Nityanath Ghanekar	Non-Executive, Independent	4	4
Ms. Anjali Raina	Non-Executive, Independent	4	4
Mr. V. Ravi	Non-Executive, Non-Independent	4	4

The Board has accepted all the recommendations made by the Audit Committee during the year. The Managing Director, Chief Internal Auditor of Mahindra & Mahindra Limited and Statutory Auditors are regularly invited to attend the Audit Committee Meetings. The Company Secretary is the Secretary to the Committee.

Mr. Nityanath Ghanekar, Chairman of the Audit Committee, was present at the 28th Annual General Meeting of the Company held on July 15, 2015.

## ii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee was re-constituted by the Board on March 30, 2015 pursuant to the appointment of independent directors on the Board. The Nomination and Remuneration Committee comprises of:

Mr. Rajeev Dubey- Non-Executive and Non-Independent Director

Mr. Ramesh Iyer- Non-Executive and Non-Independent Director

Mr. Nityanath Ghanekar- Independent Director

Ms. Anjali Raina- Independent Director

The Committee met two times during the year on August 12, 2015 and March 10, 2016.

The Nomination and Remuneration Committee inter alia recommends the appointment and removal of directors and carries out evaluation of performance of every director in accordance with the framework adopted by the Board. The Committee is also empowered to look into the entire gamut of remuneration package for the working Director(s) and revise their remuneration subject to limits approved by the shareholders.

The attendance of the Members of Nomination and Remuneration Committee at its meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	Attendance at the meetings held during the financial year 2015-16	
		Held	Attended
Mr. Rajeev Dubey	Non-Executive, Non-Independent	2	2
Mr. Nityanath Ghanekar	Non-Executive, Independent	2	2
Mr. Ramesh Iyer	Non-Executive, Non-Independent	2	2
Ms. Anjali Raina	Non-Executive, Independent	2	1

### iii) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was reconstituted by the Board on March 30, 2015 pursuant to the appointment of independent directors on the Board. The Corporate Social Responsibility Committee comprises of:

Mr. Rajeev Dubey- Chairman & Non-Executive and Non-Independent Director

Mr. Ramesh Iyer- Non-Executive and Non-Independent Director

Mr. V. Ravi - Non-Executive and Non-Independent Director

Ms. Anjali Raina - Independent Director

Dr. Jaideep Devare - Managing Director

The Committee met twice during the year on April 15, 2015 and March 10, 2016.

The attendance of the Members of CSR Committee at its meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	Attendance at the meetings held during the financial year 2015-16	
		Held	Attended
Mr. Rajeev Dubey (Chairman)	Non-Executive, Non-Independent	2	2
Mr. Ramesh Iyer	Non-Executive, Non-Independent	2	2
Ms. Anjali Raina	Non-Executive, Independent	2	2
Mr. V. Ravi	Non-Executive, Non-Independent	2	2
Dr. Jaideep Devare	Non-Independent, Executive	2	2

Your Company is in compliance with the statutory requirements in this regard.

The Annual Report on the CSR activities undertaken by your Company in the Financial Year 2015-16 is appended as Annexure I to this Report.

## 12. PERFORMANCE EVALUATION OF THE BOARD

The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors. Further, Schedule IV of the Companies Act, 2013, states that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

Well-defined and structured questionnaires were used in the evaluation process. These questionnaires were prepared after taking into consideration inputs received from the Directors and cover various

aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, areas of responsibility, execution and performance of specific duties, obligations, governance and compliance perspective etc.

The evaluation process involves self-evaluation by each of the Board Members and subsequent assessment by the Nomination and Remuneration Committee and the Board of Directors based on the inputs received from all the Directors through the questionnaires.

In a separate meeting of independent directors, performance of non-independent directors, performance of board as a whole and performance of the chairman was evaluated, taking into account views of executive directors and non-executive directors. The same was also discussed in the board meeting, at which the performance of the board, its committees and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board excluding the independent directors being evaluated.

In general, the Directors have expressed their satisfaction with the evaluation process.

### 13. DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from each Independent Director of the Company under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013.

### 14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013, the Board of Directors confirm that:

- i. In the preparation of the annual accounts for financial year ended March 31, 2016, the applicable accounting standards have been followed and there are no material departures in adoption of these standards;
- ii. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at March

31, 2016 and of the profit of the Company for the year ended on that date;

- iii. They 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;
- iv. They have prepared the annual accounts for financial year ended March 31, 2016 on a 'going concern' basis;
- v. They devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

### 15. COMPANY'S POLICY ON REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND EMPLOYEES

The Company has adopted the following policies as required under sub-section (3) of section 178 of the Companies Act, 2013:

- (i) 'Policy on Remuneration of Directors' and
- (ii) 'Remuneration Policy for Key Managerial Personnel (KMPs) and Employees'.

Which includes the criteria for determining qualifications, positive attributes and independence of a director.

The Nomination and Remuneration Committee while recommending the appointment of Directors considers desirable qualifications which may amongst other things include professional qualifications, skills, professional experience, background and knowledge apart from the criteria of independence as prescribed under the Companies Act, 2013.

The Policy on Remuneration of Directors and Remuneration Policy for KMPs and Employees of the Company is appended as Annexure III to this Report in accordance with the provisions of sub-section (4) of section 178 of the Act.

There has been no change in the policy since the last fiscal year. The remuneration paid to the directors is as per the terms laid out in the Remuneration Policy of the Company.

## 16. CODES OF CONDUCT FOR CORPORATE GOVERNANCE

The Board of Directors of the Company had adopted separate Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos. The Company has for the year under review, received declarations under the Codes from the Board Members, the Senior Management and Employees of the Company affirming compliance with the respective Codes.

The Company has adopted a Code of Conduct for its Independent Directors as laid down in the Companies Act, 2013. This code is available on the Company's website.

## 17. CORPORATE SOCIAL RESPONSIBILITY

Through its various Corporate Social Responsibility ("CSR") initiatives, the Mahindra Group is enabling entire communities to 'RISE'. With a vision of transforming the lives of youth from socially weaker and economically disadvantaged sections of society, the Mahindra Group is committed to 'building possibilities' to enable them to 'RISE' above their limiting circumstances by innovatively supporting them through programs in the domains of education, health and environment.

The Company has duly constituted a CSR Committee in accordance with section 135 of the Companies Act, 2013 to assist the Board and the Company in fulfilling the corporate social responsibility objectives of the Company. The CSR Committee presently comprises of Mr. Rajeev Dubey (Chairman), Mr. Ramesh Iyer, Ms. Anjali Raina, Mr. V. Ravi and Dr. Jaideep Devare.

During the year under review, your Company contributed Rs.120.16 lacs towards Corporate Social Responsibility to various institutions for charitable purposes. Your Company is in compliance with the Statutory Provisions in this regard.

The CSR Policy of the Company is hosted on the Company's website <https://www.mahindrainsurance.com/Social-Responsibility.aspx> and a brief outline of the CSR Policy and the CSR initiatives undertaken by the Company during the

year as per annexure prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been appended as **Annexure I** to this Report.

## 18. EXTRACT OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2016 forms part of this Report and is appended as **Annexure II**.

## 19. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public or its employees during the year under review. No amount on account of principal or interest on deposits from public was outstanding as on the date of balance sheet.

## 20. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has advanced loans and advances in the nature of loans under Section 186 of the Companies Act, 2013, the details of which are mentioned in the notes to the financial statements and forms part of this Report.

Your Company has not made any loans/advances and investment which are required to be disclosed in the annual accounts of the Company pursuant to Regulation 34(3) and 53(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the parent Company, Mahindra & Mahindra Limited.

## 21. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts / arrangements / transactions entered into by the Company during the Financial Year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement / transaction with related parties which could be considered material. Pursuant to Section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. None of the Non-Executive Directors has any pecuniary relationships or transactions vis-à-vis the Company.

## 22. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments, 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.

## 23. CHANGE IN THE NATURE OF BUSINESS

There was no change in nature of business carried on by the Company during the year under review.

## 24. RISK MANAGEMENT

The Company has a well-defined risk management framework in place. Your Company has established procedures to periodically review risk assessment and steps taken by it to mitigate these risks. The key business risks identified by the Company and its mitigation plans are as under:

### i) Competitive Risks

*Overall slowdown in economic activity could have an adverse effect on the financial condition and operational results of the Company.*

As the overall levels of economic activity increase, the demand for insurance generally rises, and vice-versa. This impacts both, the brokerage as well as fees, generated by the business. Softening of the insurance market i.e. downward trends in the year-over-year insurance premium charged by insurers to offer protection against the same risk, could adversely affect the business as a large portion of the earnings are brokerage which is determined as a percentage of premium charged to the customers.

*Significant competitive pressures in each of the business lines*

The Company competes with a large number of insurance companies and other insurance intermediaries. Some of the competitors may have or may develop a lower cost structure or distribution model, adopt or provide services that gain greater market acceptance. Large and well-established competitors may be able to respond to the need for technological changes and innovate faster, or price their services more aggressively. They may also compete hard for skilled professionals, finance acquisitions, fund

internal growth and compete for customers. To respond to increased competition, we may have to lower the pricing of the services.

### ii) Legal and Regulatory Risks

*The Company is subject to professional indemnity claims made against it, as well as other legal proceedings, some of which, if determined against the Company, could have a material adverse effect on the financial condition or results of operations of a particular business line or the Company as a whole.*

The Company traditionally has procured, and intends to continue to procure, insurance to cover professional indemnity claims and other insurance to provide protection against certain claims or losses that arise in such matters.

*The business is subject to extensive regulation, which could reduce profitability, limit growth, or increase competition*

The business is subject to extensive legal and regulatory oversight, including the IRDA (Insurance Brokers) Regulations 2013 and the rules and regulations promulgated by the Insurance Regulatory and Development Authority of India (IRDAI) and a variety of other laws, rules and regulations. This legal and regulatory oversight could reduce profitability or limit growth by limiting or restricting the products or services the Company sells, by increasing the costs of legal and regulatory compliance, limiting the distribution methods by which it sells products and services, or capping the brokerage it can charge for the services, limiting the amount and form of compensation it can accept from the customers, insurers and third parties, or by subjecting the business to the possibility of legal and regulatory actions or proceedings.

Though the Company employees and authorized representatives exercise due care so not to violate these laws and regulations, there can be no assurances as regards the same.

### iii) Operational and Commercial Risks

*The Company's success depends on its ability to retain and attract experienced and qualified personnel, including the senior management and operating team and other professional personnel.*

The business depends, to a large extent, upon the members of the senior management team and senior operating team, who possess extensive knowledge and a deep understanding of the business and strategy. The unexpected loss of services of any of the senior executives or key professionals could have a disruptive effect, thereby impacting ability to manage the business effectively till such time as an able replacement is in place. The Company is constantly working to retain and attract these professionals through various people development initiatives.

*Business performance and growth plans could be affected if the Company is not able to effectively apply technology in driving value for its customers through technology-based solutions or gain internal efficiencies through the effective application of technology and related tools. Conversely, investments in innovative technology-based solutions may fail to yield sufficient return to cover their investments.*

The Company's success depends, in part, on its ability to apply and implement technology-based solutions that anticipate and keep pace with rapid and continuing changes in customer preferences. Response to these preferences needs to be timely and cost-effective. This also entails the business to incur considerable investment. In order to acquire and retain customers, the Company continuously strives to offer newer and cost-effective technologies to its customers, ahead of its competitors.

*Other factors, outside of the Company's control.*

The Company has no control over premium rates. The brokerage rates, too, are capped by the current regulations.

In addition to movements in premium rates, the ability to generate premium-based brokerage revenue may be challenged by:

- ◆ the level of compensation, as a percentage of premium, that insurers are willing to compensate brokers for placement activity, which in any case, is capped by the current regulations;

- ◆ competition from insurers seeking to sell their products directly to consumers without the involvement of an insurance broker with or without the use of technology.
- ◆ increasing willingness on the part of customers to "self-insure", which would increase competition and put pressure on pricing;
- ◆ fluctuation in the need for insurance as the economic downturn continues, as customers prioritize their need and willingness to procure insurance accordingly.

## 25. AUDITORS

The Board of Directors at its meeting held on April 14, 2014 had appointed M/s. B. K. Khare and Co., as the Statutory Auditors of the Company for a period of 5 years from the conclusion of the Annual General Meeting (AGM) held on July 14, 2014 till the conclusion of the thirty-second AGM of the Company to be held in the year 2019, subject to the ratification of their appointment by shareholders at every Annual General Meeting.

As required under the provisions of Sections 139(1) read with 141 of the Companies Act, 2013, the Company has obtained a written certificate from M/s. B. K. Khare & Co., Chartered Accountants, to the effect that their ratification of appointment, if made, would be in conformity with the criteria specified in the said sections.

Pursuant to the recommendation received from the Audit Committee, the Board has proposed the ratification of the appointment of M/s. B. K. Khare & Co., as Statutory Auditors of the Company, the Shareholders at the forthcoming Annual General Meeting for a period of one year.

## 26. ACCOUNTING STANDARDS FOLLOWED BY THE COMPANY

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Act.

## 27. COMMENTS ON AUDITORS' REPORT

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s B. K. Khare & Co., Statutory Auditors, in their report. The Auditors' Report is enclosed with the financial statements in this Annual Report.

## 28. HUMAN RESOURCES

Over the years, your Company has adopted different initiatives in various capacities as a result of which there has been a paradigm shift in the approach adopted relating to Employee Relations. Your Company drives sustainable growth and have been instrumental in bringing in thought leadership in building strong employee relations.

As an organization MIBL took a number of initiatives to strengthen human resources during the year.

Your Company has a competitive edge to the organisation with the ability to attract and retain the best talent across the country. In pursuance of the Company's commitment to develop and retain the best available talent, the Company has been sponsoring the employees for training programmes organized by reputed faculties and professional institutions for building capabilities thereby upgrading the skill and knowledge of the employees in different operational areas.

Your Company continues to focus on building leadership capability and recognizing the team managers who provide a rewarding and respectful work environment for their teams.

Your organization also understands its responsibility towards society at large and therefore engages its employees in volunteering and executing various social responsibilities.

Your company has become world's first company in Insurance Sector to achieve People-CMM Level 3 certification by CMMI institute, Carnegie Mellon University USA. The organization's focus on best practices has been driven by desire and commitment to deliver a best-in-class service experience to our valued customers. Your company has endeavored to develop people capabilities to match and exceed customer expectations since the customers associated with your Company deserve the best. This achievement reinforces MIBL's continued commitment to develop and enhance skills and capabilities of our team.

Your Company strongly believes in maintaining the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harrassment of any type are strictly prohibited. The Company has taken the necessary steps to abide by all statutory compliances and enhance awareness w.r.t. provisions of the Sexual Harrassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("the Act") and the Rules framed thereunder. During the year under review, there were no cases filed pursuant to the Act and Rules framed thereunder.

## 29. SUBSIDIARIES

The Company does not have any subsidiary as at March 31, 2016 or during the financial year ended on that date.

## 30. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is given in Annexure IV.

## 31. 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

There are no significant and material orders passed by the Regulators or Courts or Tribunal which would impact the going concern status of the Company and its future operations.

## 32. DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

Your Company has in place adequate system of internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the Company and ensuring compliance with corporate policies.

Assessment of the internal financial controls environment of the Company was undertaken during

the year which covered verification of entity level controls, process level controls and IT controls, identification, assessment and definition of key business processes and analysis of risk control matrices, etc. Reasonable Financial Controls are operative for all the business activities of the Company and no material weakness in the design or operation of any control was observed.

### 33. REPORTING OF FRAUDS

There are no frauds on or by the Company which were required to be reported by the Statutory Auditors of the Company to the Central Government.

### 34. PARTICULARS OF REMUNERATION

The statement containing particulars of employees who were in receipt of remuneration of not less than Rs.60,00,000 during the year ended March 31, 2016 or not less than Rs.5,00,000 per month during any part of the said year in accordance with the provisions of Section 197(12) of the Companies Act, 2013 ("the Act") and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate

annexure forming part of the Director's Report. Further, the report and accounts are being sent to the members excluding the aforesaid annexure. In terms of section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

The Company had no employee who was employed for a part of the Financial Year and was in receipt of remuneration of not less than Rs.5,00,000 per month during any part of the year.

### 36. ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their deep sense of gratitude to the Insurance Regulatory and Development Authority of India (IRDAI) for their continuous support and guidance rendered to the Company. Your Directors would also like to thank Company's employees, customers, vendors and investors for their continuous support. Your Directors truly appreciate and value the contributions made by each and every member of the Company.

For and on behalf of the Board

**Rajeev Dubey**  
Chairman

Mumbai, April 15, 2016  
Registered Office:  
Mahindra Towers,  
P. K. Kurne Chowk, Worli,  
Mumbai - 400018  
CIN: U65990MH1987PLC042609  
Tel: +91 22 66423800  
Fax: +91 22 24915894  
E-mail: insurance.care@mahindra.com  
Website: www.mahindrainsurance.com

**ANNEXURE I TO THE DIRECTORS' REPORT****Annual Report on Corporate Social Responsibility Activities as prescribed under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014****1) Brief outline of the Company's CSR policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs**

The objective of Company's CSR policy is to continuously and consistently generate goodwill in communities where the Company operates or is likely to operate, initiate projects that benefit communities and encourage an increased commitment from employees towards CSR activities and volunteering.

The Corporate Social Responsibility Committee ('CSR Committee') is responsible to formulate and recommend to the Board the CSR Policy indicating the activities falling within the purview of Schedule VII to the Companies Act, 2013, to be undertaken by the Company, to recommend the amount to be spent on CSR activities presented by the CSR Council ('CSR Council') and to monitor the CSR Policy periodically. The CSR Council will be supported by the CSR Secretariat at Head Office, for implementation of the approved projects. For achieving the CSR objectives through implementation of meaningful and sustainable CSR Projects, the CSR Committee will allocate for its Annual CSR Budget, 2% of the average profits of the Company made during the three immediately preceding financial years, calculated in accordance with the relevant Sections of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

The Company has identified following CSR Thrust areas for undertaking CSR projects or programs

or activities in India. The actual distribution of the expenditure among these thrust areas will depend upon the local needs as may be determined by the need identification studies or discussions with local government/ Grampanchayat/ NGOs. The Company shall give preference to the local area and areas around which the Company operates.

Thrust areas:

**a) Education**

Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.

**b) Health**

Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation and making available safe drinking water.

**c) Environment**

Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water.

**d) Others**

Any other activities within the purview of schedule VII of the Act that the CSR Committee of the Company may define from time to time.

**CSR activities of the Company are carried through:**

- ◆ K C Mahindra Education Trust
- ◆ Collaboration with other Companies undertaking projects/programs in CSR activities.
- ◆ Contribution / donation made to such other Organizations/ Institutions as may be permitted under the applicable laws from time-to-time.
- ◆ Directly by the Company for fulfilling its responsibilities towards various stakeholders.

The Company has framed a CSR Policy in compliance with the provisions of the Companies Act, 2013 and the same is placed on the Company's website and the web link for the same is [https://www.mahindrainsurance.com/Social Responsibility.aspx](https://www.mahindrainsurance.com/Social%20Responsibility.aspx)

2) Composition of the CSR Committee	1. Mr. Rajeev Dubey (Chairman) 2. Mr. Ramesh Iyer (Non-Executive & Non-Independent Director) 3. Mr. V. Ravi (Non-Executive & Non-Independent Director) 4. Ms. Anjali Raina (Independent Director) 5. Dr. Jaideep Devare (Managing Director)
3) Average Net Profit of the Company for last 3 financial years	Rs.6,007.85 lacs
4) Prescribed CSR expenditure (2% of this amount as in item 3 above)	Rs.120.16 lacs
5) Details of CSR spent for the financial year: 2015-16	
a) total amount spent for the financial year	Rs.120.16 lacs
b) Amount unspent, if any;	Nil
c) Manner in which the amount spent during the financial year is detailed below	The details in which the amount is spent is given in Schedule A below
6) In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report	N.A.

**SCHEDULE A TO ANNEXURE I – CSR ACTIVITIES AT MAHINDRA INSURANCE BROKERS LIMITED**

Sr. No.	CSR Project or activity Identified	Sector in which the project is covered	Projects or programs (1) Local area or other and district where projects or programs were undertaken	Amount spent on the outlay project / programs (budget) Sub-heads:		Cumulative expenditure up to March 31, 2016	Amount spent direct or through implementing agency
				1) Direct expenditure on projects or programs	2) Overheads		
1	Salaries of Teachers	Education	Pahar Ganj, New Delhi	10.08	10.08	10.08	Salaam Balak Trust
2	Open Heart Surgery	Healthcare including preventive healthcare	Mumbai, Maharashtra	0.90	0.90	0.90	Child Vision Foundation
3	Education and Employment enhancing vocational skills	Education	Mumbai, Maharashtra	74.36	74.36	74.36	K C Mahindra Education Trust (Nanhi Kali)
4	Purchase of Fiberoptic Bronchoscope	Healthcare & Preventive Healthcare	Mumbai, Maharashtra	4.99	4.99	4.99	Nair Charitable Hospital Department Development Foundation
5	Renovation of Ashram and Homes/hostels for orphans\ women	Gender Equality/ Old age & Day care homes	Mumbai, Maharashtra	10.00	10.00	10.00	The Hindu Womens Welfare Society
6	Setting old age homes/day care centres and similar facilities for senior citizens	Gender Equality/ Old age & Day care homes	Kolkata, West Bengal	3.00	3.00	3.00	Missionaries Of Charity
7	Subscription of Braille Magazines for the blind	Health & Education	Mumbai, Maharashtra	3.00	3.00	3.00	White Print
8	Conservation & renovation of school buildings and classrooms	Education	Chennai, Tamilnadu	3.00	3.00	3.00	Round Table India Trust
9	Education for the underprivileged & disabled children	Education	Koni, Karnataka	3.00	3.00	3.00	Manasa Jyothi Trust For The Dumb, Deaf And Other Disabled
10	Conservation of natural resources – tree plantation and water resources	Environment	Hyderabad, Andhra Pradesh	4.00	4.00	4.00	Prakriti Environment Society
11	Providing free education, nutritious breakfast, uniforms, etc	Health & Education	Chennai, Tamilnadu	3.83	3.83	3.83	Oicott Memorial Higher Secondary School
<b>Total</b>				<b>120.16</b>	<b>120.16</b>	<b>120.16</b>	

7) The CSR Committee of the Company confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR Objectives and Policy of the Company.

For Mahindra Insurance Brokers Limited

For and on behalf of the CSR Committee of Mahindra Insurance Brokers Limited

Dr. Jaideep Devare  
Managing Director

Chairman – CSR Committee of Mahindra Insurance Brokers Limited  
Rajeev Dubey

Mumbai, April 15, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT  
FORM NO. MGT-9  
EXTRACT OF ANNUAL RETURN**

As on the financial year ended on March 31, 2016  
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN	U65990MH1987PLC042609
ii)	Registration Date	18/02/1987
iii)	Name of the Company	Mahindra Insurance Brokers Limited
iv)	Category / Sub-Category of the Company	Public Limited Company by Shares
v)	Address of the Registered office and contact details	Mahindra Towers, 4th Floor, P. K. Kurne Chowk, Worli, Mumbai - 400018. Tel: +91 22 66423800; Fax: +91 22 24915894; E-mail: insurance.care@mahindra.com Website: www.mahindrainsurance.com
vi)	Whether listed company Yes / No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Sharepro Services (India) Private Limited Unit: Mahindra Insurance Brokers Limited 13 AB, 2nd Floor, Samhita Warehousing Complex, Sakinaka Telephone Exchange Lane, Off Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai - 400 072 Ph.022 - 67720386 / 67720354

**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.	Insurance Broking	67200	100%

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

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited	L65990MH1945PLC004558	Ultimate Holding Company	85.00%*	Section 2(46)
2.	Mahindra & Mahindra Financial Services Limited	L65921MH1991PLC059642	Holding Company	85.00%	Section 2(46)

\* There is no direct shareholding in the Company by Mahindra & Mahindra Limited, the Ultimate Holding Company. Shares are held through Mahindra & Mahindra Financial Services Limited, subsidiary of Mahindra & Mahindra Limited.

**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	
<b>A. PROMOTERS</b>									
<b>(1) INDIAN</b>									
a)	Individual/HUF	-	-	-	-	-	-	-	-
b)	Central Govt	-	-	-	-	-	-	-	-
c)	State Govt (s)	-	-	-	-	-	-	-	-
d)	Bodies Corporate	21,90,692	30	21,90,722	85.00	21,90,692	30	21,90,722	85.00
e)	Banks / FI	-	-	-	-	-	-	-	-
f)	Any Other	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):-</b>		<b>21,90,692</b>	<b>30</b>	<b>21,90,722</b>	<b>85.00</b>	<b>21,90,692</b>	<b>30</b>	<b>21,90,722</b>	<b>85.00</b>

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change During the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) FOREIGN</b>									
a) NRIs -									
Individuals	-	-	-	-	-	-	-	-	-
b) Other -									
Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>21,90,692</b>	<b>30</b>	<b>21,90,722</b>	<b>85.00</b>	<b>21,90,692</b>	<b>30</b>	<b>21,90,722</b>	<b>85.00</b>	<b>-</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>1. INSTITUTIONS</b>									
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)	3,86,598	-	3,86,598	15.00	3,86,598	-	3,86,598	15.00	-
<b>Sub-total (B)(1):-</b>	<b>3,86,598</b>	<b>-</b>	<b>3,86,598</b>	<b>15.00</b>	<b>3,86,598</b>	<b>-</b>	<b>3,86,598</b>	<b>15.00</b>	<b>-</b>
<b>2. NON-INSTITUTIONS</b>									
a) Bodies Corporate	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>3,86,598</b>	<b>-</b>	<b>3,86,598</b>	<b>15.00</b>	<b>3,86,598</b>	<b>-</b>	<b>3,86,598</b>	<b>15.00</b>	<b>-</b>
<b>C. SHARES HELD BY CUSTODIAN FOR GDRS &amp; ADRS</b>									
<b>Grand Total (A+B+C)</b>	<b>25,77,290</b>	<b>30</b>	<b>25,77,320</b>	<b>100</b>	<b>25,77,290</b>	<b>30</b>	<b>25,77,320</b>	<b>100</b>	<b>-</b>

**(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.	Mahindra & Mahindra Financial Services Limited	21,90,692	85.00	-	21,90,692	85.00	-	-
2.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Ramesh Iyer	5	-	Nil	5	-	Nil	-
3.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Rajeev Dubey	5	-	Nil	5	-	Nil	-
4.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Bharat Doshi	5	-	Nil	-	-	Nil	-
5.	Mahindra & Mahindra Financial Services Limited Jointly with Dr. Jaideep Devare	5	-	Nil	5	-	Nil	-
6.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. S. Durgashankar	5	-	Nil	5	-	Nil	-
7.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Venkatraman Ravi	5	-	Nil	5	-	Nil	-
8.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Rajesh Vasudevan	-	-	Nil	5	-	Nil	-
<b>Total</b>		<b>21,90,722</b>	<b>85.00</b>	<b>-</b>	<b>21,90,722</b>	<b>85.00</b>	<b>-</b>	<b>NIL</b>

**(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
1.	Mahindra & Mahindra Financial Services Limited along with joint holders				
	At the beginning of the year (As at April 1, 2015)	21,90,722	85.00	21,90,722	85.00
	Date wise increase / decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)			No change	
	At the end of the year (As at March 31, 2016)	21,90,722	85.00	21,90,722	85.00

Note: There was transfer of Five Equity Shares from Mahindra & Mahindra Financial Services Limited jointly with Mr. Bharat Doshi to Mahindra & Mahindra Financial Services Limited jointly with Mr. Rajesh Vasudevan. However, there was no change in the beneficial ownership of these Shares.

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	Inclusion Resources Private Limited				
	At the beginning of the year (As at April 1, 2015)	3,86,598	15.00	3,86,598	15.00
	Date wise increase / decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	3,86,598	15.00	3,86,598	15.00

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

Sl. No.	For each of the directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	Mr. Ramesh Iyer (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (As at April 1, 2015)	5	-	5	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	5	-	5	-
2.	Mr. V. Ravi (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (As at April 1, 2015)	5	-	5	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	5	-	5	-
3.	Mr. Rajeev Dubey (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (As at April 1, 2015)	5	-	5	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	5	-	5	-

Sl. No.	For each of the directors and KMP	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
4.	Dr. Jaideep Devare (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (As at April 1, 2015)	5	-	5	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	5	-	5	-
5.	Mr. Hemant Sikka				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	Nil	-	Nil	-
6.	Mr. Nityanath Ghanekar				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	Nil	-	Nil	-
7.	Ms. Anjali Raina				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise increase / decrease in shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	Nil	-	Nil	-
8.	Ms. Rupa Joshi - Company Secretary (Appointed as a Company Secretary with effect from July 15, 2015)				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (As at March 31, 2016)	Nil	-	Nil	-

**V. INDEBTEDNESS**

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

(Rs. In Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>INDEBTEDNESS AT THE BEGINNING OF THE FINANCIAL YEAR</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
<b>CHANGE IN INDEBTEDNESS DURING THE FINANCIAL YEAR</b>				
◇ Addition	-	-	-	-
◇ Reduction	-	-	-	-
<b>Net Change</b>	-	-	-	-
<b>INDEBTEDNESS AT THE END OF THE FINANCIAL YEAR</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Rs. In Lacs)

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Managing Director	Whole time Director	Manager	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	86.61	-	-	86.61
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961@	37.62	-	-	37.62
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	NA	-	-	NA
2.	Stock Option	NA	-	-	NA
3.	Sweat Equity	NA	-	-	NA
4.	Commission				
	- as % of profit	NA	-	-	NA
	- others	NA	-	-	NA
5.	Others	NA	-	-	NA
	<b>Total (A)</b>	<b>124.23</b>	-	-	<b>124.23</b>
	Ceiling as per the Act	5% of the Net Profits equivalent to Rs. 377.06 Lacs with respect to the ceiling for the Company applicable for the Financial Year covered by this Report.			

@ Includes Perquisite Value of Stock Options of Mahindra & Mahindra Financial Services Limited (Holding Company) for 17,481 Equity Shares of Rs. 2 each exercised during the FY 2015-16.

**B. Remuneration to other directors:**

				(Rs. In Lacs)
Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
<b>1.</b>	<b>Independent Directors</b>	<b>Mr. Nityanath Ghanekar</b>	<b>Ms. Anjali Raina</b>	
	Fee for attending board / committee meetings	3.30	3.50	6.80
	Commission	-	-	-
	Others	-	-	-
	<b>Total (1)</b>	<b>3.30</b>	<b>3.50</b>	<b>6.80</b>
<b>2.</b>	<b>Other Non-Executive Directors</b>			
	Fee for attending board / committee meetings	-	-	-
	Commission	-	-	-
	Others	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>3.30</b>	<b>3.50</b>	<b>6.80</b>
	<b>Total Managerial Remuneration</b>	<b>3.30</b>	<b>3.50</b>	<b>6.80</b>
	Overall Ceiling as per the Act	1% of the Net profits equivalent to Rs. 75,41,210/- with respect to the ceiling for the Company applicable for the financial year covered by this Report.		

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

					(Rs. In Lacs)
Sl. no.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	Company Secretary@ (Ms. Rupa Joshi) (1)	CFO	
1.	Gross salary	-	2.99	-	2.99
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others	-	-	-	-
5.	Others	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>2.99</b>	<b>-</b>	<b>2.99</b>

@ Secretarial function covered under cost sharing agreement.

(1) Ms. Rupa Joshi was appointed as the Company Secretary with effect from July 15, 2015.

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

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			None		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board

Rajeev Dubey  
Chairman

Mumbai, April 15, 2016

## ANNEXURE III-A TO THE DIRECTORS' REPORT POLICY ON REMUNERATION OF DIRECTORS

### Prelude

Mahindra Insurance Brokers Limited ("Company") is a composite insurance broking company registered with the Insurance Regulatory and Development Authority of India ('IRDAI'), and is engaged in providing direct insurance broking for Corporate and Retail customers and offers a range of products for the Non-Life and Life segments. The company is also engaged in the business of reinsurance broking wherein it caters to insurance requirements of insurance companies.

This Policy shall be effective from the financial year 2014 - 15.

### Intent of the Policy

The intent of the Remuneration Policy of Directors of the Company is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that —

- a) 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;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) 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.

While deciding the policy on remuneration of Directors the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company etc.

The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

### Directors

The Managing Director is an executive of the Company and draws remuneration from the Company. The Non-Executive Chairman and Independent Directors may receive sitting fees for attending the meeting of the Board and the Committees thereof, if fixed by the Board of Directors from time to time subject to statutory provisions. The Non-Executive Chairman and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. A Non-Executive Chairman and Non-Executive Non-Independent Directors who receive remuneration from the holding company or a Group Company will not be paid any sitting fees or any remuneration. In addition to the above, the Directors are entitled for reimbursement of expenses incurred in discharge of their duties. Payment of Remuneration to Nominee Directors shall be governed by the agreement with the Financial Institution/Bank appointing the Nominee Director and by the Articles of Association of the Company.

The Managing Director and other eligible Director(s) as per extant statutory provisions may be granted Employees Stock Options, Stock Appreciation Rights or any other Share based Employee benefits pursuant to any scheme that may be approved by the Board of Directors and shareholders of the Company subject to such other approvals as may be required.

Non Executive Directors may be paid remuneration either by way of monthly payment or at a specified percentage of net profits of the Company or partly by one way and partly by another, subject to the provisions of Companies Act, 2013.

The NRC while determining the remuneration shall ensure that the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

### **Managing Director/Executive Directors**

The term of office and remuneration of Managing Director/Executive Directors are subject to the approval of the Board of Directors, Shareholders, Central Government and other Statutory Authorities as may be required and the limits laid down under the Companies Act, 2013 from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director/Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director/Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Managing Director/Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director/Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director/Executive Director is designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Managing Director/Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment, etc., as per Rules of the

Company. Salary is paid within the range approved by the Shareholders. Increments are effective annually, as recommended / approved by the NRC/ Board. In terms of the shareholders' approval, the Commission may be paid to Managing Director in any Financial Year at a rate not exceeding 1/4% (one fourth percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013 as may be recommended by NRC and approved by the Board.

The total remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director/Executive Director to choose the allowances as well as the quantum based on laid down limits as per Company policy. The flexible component can be varied only once annually.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal year to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Executive Directors are entitled to customary non-monetary benefits such as company cars, health care benefits, leave travel, communication facilities, etc., as per policies of the Company. The Managing Director and Executive Directors are entitled to grant of Stock Options as per the approved Stock Options Schemes of the Company from time to time.

### **Disclosures**

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/Executive Directors and Key Managerial Personnel/Senior Management Personnel may be disclosed in the Board's Report as per statutory requirements laid down in this regard.

## ANNEXURE III-B TO THE DIRECTORS' REPORT REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

This Policy shall be effective from the financial year 2014-15.

### OBJECTIVE

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

### DEFINITION(S)

"Key Managerial Personnel" (KMP) as defined in section 2(51) of the Companies Act, 2013 means:

- (i) the Chief Executive Officer or the Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed.

### STANDARD

The broad structure of compensation payable to employees is as under:

- ◆ Fixed pay which has components like basic salary & other allowances / flexi pay as per the grade where the employees can chose allowances from bouquet of options.
- ◆ Variable pay (to certain grades) in the form of annual / half yearly performance pay based on Key Result Areas agreed – as applicable.
- ◆ Incentives either monthly or quarterly based on targets in the lower grades.
- ◆ Retirals such as Provident Fund, Gratuity & Superannuation (for certain grades).
- ◆ Benefits such as as Employee Stock Option scheme, car scheme, medical & dental benefit, loans, insurance, telephone reimbursements, etc., as per grades.

### INCREMENTS

Salary increase is given to eligible employees based on position, performance & market dynamics as decided from time to time.

For and on behalf of the Board

Rajeev Dubey  
Chairman

Mumbai, April 15, 2016

## ANNEXURE IV TO THE DIRECTORS' REPORT

Information pursuant to section 134(3)(m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo

### (A) CONSERVATION OF ENERGY-

i. **the steps taken or impact on conservation of energy;**

The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption

ii. **the steps taken by the company for utilising alternate sources of energy – Nil**

iii. **the capital investment on energy conservation equipments – Not Applicable**

### (B) TECHNOLOGY ABSORPTION-

i **the efforts made towards technology absorption – None.**

ii **the benefits derived like product improvement, cost reduction, product development or import substitution – Not applicable.**

iii **in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)**

- |  |                  |
|--|------------------|
| a) the details of technology imported  | : None           |
| b) the year of import;   | : Not applicable |
| c) whether the technology been fully absorbed;   | : Not applicable |
| d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; | : Not applicable |

iv **the expenditure incurred on Research and Development – Nil.**

### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is furnished in the Notes to the Accounts.

For and on behalf of the Board

Rajeev Dubey  
Chairman

Mumbai, April 15, 2016

# Independent Auditor's Report

**To the Members of  
Mahindra Insurance Brokers Limited**

## REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of Mahindra Insurance Brokers Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. 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 the 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(as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. 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.

5. We conducted our audit in accordance with the Standards on Auditing 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.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 the 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.
7. 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

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
10. 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, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
  - e. On the basis of written representations received from the directors as at March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
  - f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
  - 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(as amended), 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 does not have any long-term contracts including derivative contracts for which there are any material foreseeable losses that need provision.
    - iii. During the year, there were no amounts which were required to be transferred by the Company to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**H. P. Mahajani**  
Partner

Membership Number: 030168  
Mumbai, April 15, 2016

## ANNEXURE I TO THE AUDITOR'S REPORT

Referred to in paragraph 9 of our report of even date on the financial statements of Mahindra Insurance Brokers Limited for the year ended March 31, 2016

1. (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (ii) The fixed assets of the Company have been physically verified by the Management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account. In our opinion, the frequency of verification is reasonable.
  - (iii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not own any immovable property.
2. The Company is in the business of providing insurance broking services and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said order are not applicable to the Company.
3. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause (iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
4. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185.

- In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security provided by it.
5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Therefore the provisions of Clause 3(v) of the Order are not applicable to the company.
  6. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
  7. (i) According to the records of the Company and information and explanations given to us, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Excise Duty, Service Tax, Customs Duty, value added tax, and other statutory dues applicable to it with the concerned authorities.
  - (ii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Excise Duty, Service Tax, Customs Duty and Value Added Tax that were outstanding, at the year-end for a period of more than six months from the date they became payable.
  - (iii) According to the information and explanations given to us and records of the Company examined by us, there are no dues of income-tax, sales tax, service tax, excise duty, customs duty and value added tax and cess which have not been deposited on account of any dispute.
  8. Based on the records examined by us and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or banks or debenture holders during the year under audit.
  9. In our opinion and according to the information and explanations given to us, during the year, no term loans were obtained by the Company. During the year, there were no moneys raised by way of initial public offer or further public offer.
  10. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for two instances aggregating Rs.7.05 Lacs, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.
  11. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
  12. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
  13. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
  15. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
  16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**H. P. Mahajani**  
Partner

Membership Number: 030168  
Mumbai, April 15, 2016

## ANNEXURE II TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF MAHINDRA INSURANCE BROKERS LIMITED

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

We have audited the internal financial controls over financial reporting of Mahindra Insurance Brokers Limited ("the Company") as of March 31, 2016 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 operate 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.

### AUDITORS' 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, issued by ICAI and deemed to be prescribed 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 Company's internal financial controls system over financial reporting.

### MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any

evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **OPINION**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company

considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**H. P. Mahajani**  
Partner

Membership Number: 030168  
Mumbai, April 15, 2016

# Balance Sheet

As at March 31, 2016

(Rs. in Lacs)

Particulars	Note No.	As at March 31	
		2016	2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital	1	257.73	257.73
(b) Reserves and surplus	2	21,314.76	16,931.47
		<b>21,572.49</b>	<b>17,189.20</b>
<b>(2) Non-current liabilities</b>			
(a) Long-term provisions	3	146.30	115.42
		<b>146.30</b>	<b>115.42</b>
<b>(3) Current liabilities</b>			
(a) Trade payables		556.22	222.97
(b) Other current liabilities	4	142.23	117.02
(c) Short-term provisions	5	1,521.61	1,138.89
		<b>2,220.06</b>	<b>1,478.88</b>
<b>TOTAL</b>		<b>23,938.85</b>	<b>18,783.50</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	6	479.02	217.33
(b) Non-current investments	7	9,015.00	9,640.00
(c) Deferred tax assets (net)	8	76.50	52.32
(d) Long-term loans and advances	9	2,110.16	2,080.44
(e) Other Non-Current Assets	10	60.00	60.00
		<b>11,740.68</b>	<b>12,050.09</b>
<b>(2) Current assets</b>			
(a) Current investments	11	4,375.00	125.00
(b) Trade receivables	12	2,212.76	1,325.73
(c) Cash and cash equivalents	13	303.12	166.35
(d) Short-term loans and advances	14	3,382.59	4,240.96
(e) Other current assets	15	1,924.70	875.37
		<b>12,198.17</b>	<b>6,733.41</b>
<b>TOTAL</b>		<b>23,938.85</b>	<b>18,783.50</b>
<b>Summary of significant accounting policies &amp; notes to the financial statements.</b>			
	I & II		

The notes referred to above form an integral part of the Balance Sheet.

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN : 105102W

**Rajeev Dubey**  
Chairman

**Ramesh Iyer**  
Director

**Nityanath Ghanekar**  
Director

**Anjali Raina**  
Director

**H.P. Mahajani**  
Partner  
Membership No. 30168

**Dr. Jaideep Devare**  
Managing Director

**V. Ravi**  
Director

**Hemant Sikka**  
Director

**Rupa Joshi**  
Company Secretary

Place : Mumbai  
Date : April 15, 2016

# Statement of Profit and Loss

for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	Note No.	Year ended March 31	
		2016	2015
I. Revenue from operations	16	13,136.07	11,229.70
II. Other income		1,783.82	1,389.87
III. <b>Total Revenue (I + II)</b>		<b>14,919.89</b>	<b>12,619.57</b>
IV. <b>Expenses:</b>			
Employee benefits expense	17	4,953.18	4,273.06
Depreciation	18	134.05	124.12
Other expenses	19	2,312.24	1,694.44
<b>Total expenses</b>		<b>7,399.47</b>	<b>6,091.62</b>
V. <b>Profit before exceptional and extraordinary items and tax (III - IV)</b>		7,520.42	6,527.95
VI. Exceptional items		-	-
VII. Profit before extraordinary items and tax (V - VI)		7,520.42	6,527.95
VIII. Extraordinary Items		-	-
IX. Profit before tax (VII - VIII)		7,520.42	6,527.95
X. Tax expense:			
(1) Current tax		2,696.00	2,270.00
(2) Deferred tax (Asset)/Liability		(24.17)	(35.63)
		<b>2,671.83</b>	<b>2,234.37</b>
XI. <b>Profit/(Loss) for the period from continuing operations</b>		<b>4,848.59</b>	<b>4,293.58</b>
XII. <b>Profit/(Loss) for the period</b>		<b>4,848.59</b>	<b>4,293.58</b>
XIII. Earnings per equity share:			
(1) Basic		188.13	166.59
(2) Diluted		188.13	166.59
<b>Summary of significant accounting policies &amp; notes to the financial statements.</b>		I & II	

The notes referred to above form an integral part of the Statement of Profit & Loss.

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Rajeev Dubey**  
Chairman

**Ramesh Iyer**  
Director

**Nityanath Ghanekar**  
Director

**Anjali Raina**  
Director

**H.P. Mahajani**  
Partner  
Membership No. 30168

**Dr. Jaideep Devare**  
Managing Director

**V. Ravi**  
Director

**Hemant Sikka**  
Director

**Rupa Joshi**  
Company Secretary

Place : Mumbai  
Date : April 15, 2016

# Cash Flow Statement

for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	Year ended March 31	
	2016	2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies	7,520.42	6,527.95
<b>Add / (Less):</b>		
Depreciation & Amortisation	134.05	124.12
Interest Income	(1,783.71)	(1,389.64)
Provision for Doubtful Debts / Advances Written-off (net)	18.39	5.98
(Profit) / Loss on sale / retirement of assets	2.63	(0.14)
Operating profit before working capital changes (I)	<b>5,891.78</b>	<b>5,268.27</b>
<b>Less:</b>		
(Increase)/Decrease in Trade receivables	(905.43)	(105.78)
(Increase)/Decrease in Long Term Loans & Advances	(29.72)	(41.04)
(Increase)/Decrease in Short Term Loans & Advances	(41.64)	(24.57)
(Increase)/Decrease in Current Assets	(0.60)	14.14
	<b>(977.39)</b>	<b>(157.25)</b>
Add: Increase/(Decrease) in Current liabilities	37.34	1.02
Add: Increase/(Decrease) in Long Term Provision	41.35	38.16
Add: Increase/(Decrease) in Trade Payable	333.25	20.77
Add: Increase/(Decrease) in Short Term Provision	181.04	147.99
	(II)	(384.41)
<b>Cash generated from operations (I + II)</b>	<b>5,507.37</b>	<b>5,318.96</b>
Income Taxes paid	(2,594.43)	(2,160.70)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>2,912.94</b>	<b>3,158.26</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(399.17)	(164.60)
Sale of fixed assets	0.79	0.37
Interest received	734.98	993.53
Investment in fixed deposits	(3,625.00)	(7,065.00)
Intercorporate deposits redeemed (net)	900.00	2,940.00
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(2,388.40)</b>	<b>(3,295.70)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(387.75)	(301.53)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>(387.75)</b>	<b>(301.53)</b>
<b>NET INCREASE / (DECREASE) IN</b>		
<b>CASH AND CASH EQUIVALENT (A + B + C)</b>	<b>136.79</b>	<b>(438.97)</b>
<b>CASH AND CASH EQUIVALENTS AS AT:</b>		
<b>Beginning of the period</b>	<b>166.33</b>	<b>605.30</b>
<b>End of the period</b>	<b>303.12</b>	<b>166.33</b>

Examined and found correct

 For B. K. Khare and Co.  
 Chartered Accountants  
 FRN :105102W

**Rajeev Dubey**  
 Chairman

**Ramesh Iyer**  
 Director

**Nityanath Ghanekar**  
 Director

**Anjali Raina**  
 Director

**H.P. Mahajani**  
 Partner  
 Membership No. 30168

**Dr. Jaideep Devare**  
 Managing Director

**V. Ravi**  
 Director

**Hemant Sikka**  
 Director

**Rupa Joshi**  
 Company Secretary

 Place : Mumbai  
 Date : April 15, 2016

# Significant Accounting Policies And Notes

to the financial statements for the year ended March 31, 2016

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

### 1) Basis for Preparation of financial statements:

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards notified under the said Act.

All assets & liabilities have been classified as current & non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current & non-current classification of assets & liabilities.

### 2) Use of Estimates:

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

### 3) Revenue Recognition:

#### a) General:

The Company generally follows the accrual method of accounting for its income and expenditure.

#### b) Brokerage Income:

Brokerage Income, Handling Charges & Broker Retainer Fees is accounted for net of Service Tax amount on rendition of services. Brokerage income is recognized on receiving details of the policy issued by the insurance company or receipt of brokerage whichever is earlier.

#### c) Insurance Consultancy Fees:

Revenue from Insurance Consultancy is recognised net of service tax on rendition of

service in accordance with the terms of the contract with customer.

### 4) Investments:

Investments held as long-term investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any. Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

Provision for diminution in value of investments is made if management perceives that there is permanent diminution in value of investments in accordance with the Accounting Standard on 'Accounting for Investments' (AS 13) notified by Companies (Accounting Standards) Rules, 2006.

### 5) Share Issue Expenses:

Expenses incurred in connection with fresh issue of share capital are adjusted against Securities premium reserve in the year in which they are incurred.

### 6) Fixed assets:

Fixed assets are stated at cost of acquisition (including incidental expenses), less depreciation.

### 7) Depreciation:

Depreciation on fixed assets is calculated by the straight line method at rates determined with reference to the useful life of fixed assets and in the manner provided for in Schedule II to the Companies Act 2013 except:

- (i) Motor cars where useful life is estimated at 4 years as against 8 years per Schedule II since the employees to whom these cars have been allotted as part of their terms of employment are entitled to change their vehicles every four years, and
- (ii) Fixed assets having value individually less than Rs. 5000 where useful life is estimated at less than one year having regard to the nature of these assets and the difficulty in estimating the useful life.

Further, residual value for all assets is considered Nil having regard to the difficulty in reasonably estimating the same and, in the case of motor cars, having regard to terms of employment under which these are allotted to the employees.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Accordingly, useful life of assets is estimated as follows:

Vehicles	- 4 Years
Computer	- 3 Years
Server	- 6 Years
Furniture	- 10 Years
Office Equipment	- 5 Years
Assets costing less than Rs. 5000	- < 1 Year

## 8) Foreign exchange transactions and translations:

### i. Initial recognition

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

### ii. Conversion

a. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.

b. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

### iii. Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

a. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of Profit and Loss.

b. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of Profit and Loss.

## 9) Employee Benefits:

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on

valuations, as the Balance Sheet date, made by independent actuaries.

### a. Defined Contribution Plans -

Company's contribution paid/payable during the year to Provident Fund, Superannuation and Labour Welfare Fund are recognised in Statement of Profit & Loss.

### b. Defined Benefit Plan -

Company's liabilities towards gratuity & leave encashment is determined using the Projected Unit Credit Method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

## 10) Impairment of assets :

The carrying value of assets/cash generating units at each balance sheet date is reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor

## 11) Segment Reporting:

The company has single reportable segment namely insurance auxiliary services for the purpose of Accounting Standard 17 on Segment Reporting.

## 12) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realised.

## 13) Provisions and Contingent Liabilities:

- a) Provision for doubtful debts is made on the basis of standard norms and also, where required, on actual evaluation.
- b) Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

## 14) Earnings per Share :

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

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## II. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 1 SHARE CAPITAL</b>		
<b>Authorised :</b>		
35,00,000 (Previous Year: 35,00,000) Equity Shares of Rs.10 each	350.00	350.00
<b>Issued Capital :</b>		
25,77,320 (Previous Year: 25,77,320) Equity Shares of Rs.10 each	<b>257.73</b>	<b>257.73</b>
<b>Subscribed &amp; Paid up Capital :</b>		
25,77,320 (Previous Year: 25,77,320) Equity Shares of Rs.10 each	<b>257.73</b>	<b>257.73</b>
<b>TOTAL</b>	<b>257.73</b>	<b>257.73</b>

Particulars	As at March 31			
	2016		2015	
	Number of shares	Rs. in Lacs	Number of shares	Rs. in Lacs
<b>a) Reconciliation of number of equity shares</b>				
Balance at the beginning of the year	25,77,320	257.73	25,77,320	257.73
Add : Fresh allotment of shares during the year				
1) Private placement to QIB's under QIP	-	-	-	-
2) Issus of Bonus / Right Shares	-	-	-	-
3) Any others (please specify)	-	-	-	-
<b>Balance at the end of the year</b>	<b>25,77,320</b>	<b>257.73</b>	<b>25,77,320</b>	<b>257.73</b>
<b>b) Number of equity shares held by holding Company or ultimate holding Company including shares held by its subsidiaries/associates:</b>				
Holding Company : Mahindra & Mahindra Financial Svcs Limited (Equity shares of Rs. 10/- each)	21,90,722	219.07	21,90,722	219.07
Percentage of holding (%)	85%	85%	85%	85%
<b>c) Shareholders holding more than 5 percent shares:</b>				
<b>Mahindra &amp; Mahindra Financial Svcs Limited</b>	21,90,722	219.07	21,90,722	219.07
Percentage of holding (%)	85%	85%	85%	85%
<b>Inclusion Resources Private Limited</b>	3,86,598	38.66	3,86,598	38.66
Percentage of holding (%)	15%	15%	15%	15%
<b>d) Shares allotted during the period of five years immediately preceding the date as at which the Balance Sheet is prepared</b>				
Aggregate number and class of shares allotted as fully paid up by way of bonus shares	20,00,000	200.00	20,00,000	200.00

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 2 RESERVES &amp; SURPLUS</b>		
General Reserve:		
Balance as at the beginning of the year	1,658.43	1,228.43
Add: Transfer from Surplus in the Statement of Profit & Loss	-	430.00
Balance as at the end of the year	<b>1,658.43</b>	<b>1,658.43</b>
<b>Securities Premium Account :</b>		
Balance as at the beginning of the year	1,589.50	1,589.50
Add: Additions during the year	-	-
Balance as at the end of the year	<b>1,589.50</b>	<b>1,589.50</b>
<b>Surplus in Statement of Profit and Loss:</b>		
Balance as at the beginning of the year	13,683.54	10,217.41
Less : Depreciation (net of deferred tax) (refer note 23)	-	(9.69)
Add : Profit for the current year transferred from Statement of Profit & Loss	4,848.59	4,293.58
	<b>18,532.13</b>	<b>14,501.30</b>
Less : Allocations & Appropriations :		
Transfer to General Reserve	-	430.00
Proposed Dividend (Final)	386.60	322.17
Corporate Dividend Tax (Final)	<b>78.70</b>	<b>65.59</b>
	465.30	817.76
<b>Balance in statement of profit &amp; loss</b>	<b>18,066.83</b>	<b>13,683.54</b>
<b>Total</b>	<b>21,314.76</b>	<b>16,931.47</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 3 LONG-TERM PROVISIONS</b>		
Provision for Employee Benefit (Refer note 9(b))	146.30	115.42
<b>Total</b>	<b>146.30</b>	<b>115.42</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 4 OTHER CURRENT LIABILITIES</b>		
Taxes deducted at source (TDS)	49.22	38.96
Service tax payable	28.60	37.07
Other Payables	64.41	40.99
	<b>142.23</b>	<b>117.02</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 5 SHORT-TERM PROVISIONS</b>		
Provision for Employee Benefits	867.93	664.32
Proposed Dividend	386.60	322.17
Corporate Dividend Tax	78.70	65.59
Provision for Tax (net of advance tax)	188.38	86.81
	<b>1,521.61</b>	<b>1,138.89</b>

Notes to the financial statements (Contd.)

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**NOTE 6 TANGIBLE ASSETS :**

(Rs. in Lacs)

Description of Assets	Gross Block At Cost				Depreciation				Net Block		
	As at April 01, 2015	Additions for Purch/Trf	Deductions for Sale/Trf	As at March 31, 2016	Upto April 01, 2015	Additions / Trf	Depreciation Trf to Reserve	Deductions / Trf	Upto March 31, 2016	As at March 31, 2016	As at April 01, 2015
Vehicles	236.52	131.55	33.55	334.52	96.63	70.43	-	31.39	135.67	198.85	139.89
Furniture	130.99	105.53	-	236.52	24.61	70.40	1.62	-	96.63	139.89	106.38
Office Equipment	11.17	29.49	-	40.66	5.85	5.41	-	-	11.26	29.40	5.32
	11.17	-	-	11.17	4.55	1.30	-	-	5.85	5.32	6.62
	35.42	24.53	-	59.95	18.77	8.82	-	-	27.59	32.36	16.65
	22.17	13.25	-	35.42	13.61	4.79	0.37	-	18.77	16.65	8.56
Computers	182.27	213.61	3.50	392.38	126.80	49.39	-	2.22	173.97	218.41	55.47
	137.23	45.83	0.79	182.27	67.06	47.63	12.68	0.57	126.80	55.47	70.17
<b>TOTAL</b>	<b>465.38</b>	<b>399.18</b>	<b>37.05</b>	<b>827.51</b>	<b>248.05</b>	<b>134.05</b>	<b>-</b>	<b>33.61</b>	<b>348.49</b>	<b>479.02</b>	<b>217.33</b>
As at 31-03-2015	301.55	164.62	0.79	465.38	109.83	124.12	14.67	0.57	248.05	217.33	191.73

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 7 NON-CURRENT INVESTMENTS</b>		
<b>Fixed Deposits with companies</b>		
- Mahindra & Mahindra Financial Services Limited (holding company)	9,015.00	9,640.00
<b>Total</b>	<b>9,015.00</b>	<b>9,640.00</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 8 DEFERRED TAX ASSETS (NET)</b>		
<b>a) Deferred Tax Assets</b>		
Provision for doubtful debts	13.50	7.00
Depreciation	13.21	10.80
Other Disallowances	51.33	39.91
	<b>(a) 78.04</b>	<b>57.71</b>
<b>b) Deferred Tax Liabilities</b>		
Others	1.54	5.39
	<b>(b) 1.54</b>	<b>5.39</b>
<b>Total</b>	<b>76.50</b>	<b>52.32</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 9 LONG-TERM LOANS AND ADVANCES</b>		
<b>Loans and advances (unsecured, considered good):</b>		
Deposits for Office Premises / Others	53.59	43.81
Inter Corporate Deposits placed with related parties	2,000.00	2,000.00
Other Advances recoverable in cash or kind or for value to be received	28.00	36.63
Capital Advances	28.57	0.00
<b>Total</b>	<b>2,110.16</b>	<b>2,080.44</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 10 OTHER NON-CURRENT ASSETS</b>		
Term Deposit with Scheduled Banks [Under lien to IRDA for broking license] with maturity greater than 12 months	60.00	60.00
<b>Total</b>	<b>60.00</b>	<b>60.00</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 11 CURRENT INVESTMENTS</b>		
<b>Fixed Deposits with companies</b>		
- Mahindra & Mahindra Financial Services Limited (holding company)	4,375.00	125.00
<b>Total</b>	<b>4,375.00</b>	<b>125.00</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 12 TRADE RECEIVABLES</b>		
<b>Sundry Debtors (Unsecured):</b>		
Outstanding for a period exceeding six months		
Considered good	26.00	27.98
Considered doubtful	39.02	20.63
Less : Provision for doubtful debts (Refer clause 13(a) of Note I)#	(39.02)	(20.63)
<b>Total</b>	<b>26.00</b>	<b>27.98</b>
Others	2,186.76	1,297.75
<b>Total</b>	<b>2,212.76</b>	<b>1,325.73</b>

# Refer Significant Accounting Policy No. 13

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 13 CASH &amp; CASH EQUIVALENTS</b>		
<b>Cash and cash equivalents:</b>		
- Cash and cheques on hand	1.90	1.35
- Balance with banks in current accounts	301.22	165.00
<b>Total</b>	<b>303.12</b>	<b>166.35</b>

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 14 SHORT-TERM LOANS AND ADVANCES</b>		
<b>Loans and advances (unsecured, considered good):</b>		
Inter corporate deposits placed with related parties (for less than one year)	3,125.00	4,025.00
Gratuity plan asset (Refer note 9)	7.25	15.88
Prepaid Expenses	213.22	163.88
Other advances recoverable in cash or kind or for value to be received	37.12	36.20
<b>Total</b>	<b>3,382.59</b>	<b>4,240.96</b>

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 15 OTHER CURRENT ASSETS</b>		
Interest accrued but not due - Bank FD	9.67	4.39
Interest accrued but not due - Others	1,911.55	868.09
Other Current Asset	3.48	2.89
<b>Total</b>	<b>1,924.70</b>	<b>875.37</b>

(Rs. in Lacs)

Particulars	Year ended March 31	
	2016	2015
<b>NOTE 16 REVENUE FROM OPERATIONS</b>		
Brokerage	6,380.00	5,290.24
Broker Retainer Fees	4,556.06	4,338.26
Handling Charges	2,092.44	1,500.17
Consultancy Fees	107.57	101.03
<b>Total</b>	<b>13,136.07</b>	<b>11,229.70</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 17 EMPLOYEE BENEFITS EXPENSE</b>		
Salary, bonus & incentives	4,358.18	3,824.98
Company's contribution to Provident Fund and other funds	272.80	197.87
Employee compensation expenses on account of ESOPs	203.78	146.31
Staff welfare expenses	118.42	103.90
<b>Total</b>	<b>4,953.18</b>	<b>4,273.06</b>

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 18 DEPRECIATION</b>		
Vehicles	70.43	70.40
Furniture	5.41	1.30
Office Equipment	8.82	4.77
Computers	49.39	47.65
<b>Total</b>	<b>134.05</b>	<b>124.12</b>

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 19 OTHER EXPENSES</b>		
Electricity charges	49.41	41.95
Rent	271.15	219.88
Administration support charges	131.72	120.68
Insurance	183.88	159.23
Rates and taxes, excluding taxes on income	8.47	8.10
Directors' sitting fees & commission	16.81	0.30
Legal & professional charges	224.48	20.52
Loss on sale / retirement of owned assets	2.63	0.00
Travelling expenses	687.26	572.40
Provision for doubtful debts <sup>#</sup>	18.39	5.98
Manpower outsourcing charges	29.44	24.10
Payment to the Auditors		
- As Auditors	5.75	5.00
- Other Services	5.48	5.06
CSR Expenses <sup>*</sup>	120.16	90.06
General & Administrative Expenses	557.21	421.18
<b>Total</b>	<b>2,312.24</b>	<b>1,694.44</b>

<sup>#</sup> Refer Significant Accounting Policy No.13

<sup>\*</sup> CSR expenses represent contributions made to trusts which are carrying on the activities eligible under clause (I), (ii) & (iii) of the schedule VII of the Companies Act, 2013.

**NOTE 20** The company has submitted the application for renewal of its Composite Broking License due for renewal on May 17, 2016 on April 04, 2016.

**NOTE 21** In the opinion of the Board, Current Assets, Loans & Advances are approximately of the value stated if realised in the ordinary course of business.

**NOTE 22** The company earns brokerage from several insurance companies. The accounts of these insurance companies remain under reconciliation and are subject to confirmation. The company does not expect any significant variation in the book balances.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**NOTE 23** Pursuant to the Companies Act, 2013 (the "Act") becoming effective from April 1, 2014, the Company has recomputed the depreciation based on the useful life of the assets as prescribed in Schedule II of the Act.

## NOTE 24 RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18:

### List of the related parties:

<b>Ultimate Holding Company</b>	:	Mahindra & Mahindra Limited
<b>Holding Company</b>	:	Mahindra & Mahindra Financial Services Limited
<b>Fellow subsidiary Companies</b>	:	Mahindra Rural Housing Finance Limited
<b>Key Management Personnel</b>		
Managing Director	:	Dr. Jaideep Devare
Company Secretary	:	Ms. Rupa Joshi

### Related party transactions are as under:

		(Rs.in Lacs)		
Sr. No.	Nature of transactions	Holding Companies *	Fellow subsidiary Companies	Key Management Personnel
<b>1</b>	<b>Income</b>			
	Interest (Gross)	1,363.13	411.71	-
		(972.18)	(402.67)	-
	Handling Charges (Gross of Service Tax)	2,389.54	-	-
		(1,685.59)	(-)	-
<b>2.</b>	<b>Expenses</b>			
	Deputation Charges	14.71	-	-
		(-)	(-)	-
	Other Expenses (Gross of Service Tax) (refer note ii)	378.21	-	106.45
		(287.31)	(-)	(94.34)
<b>3</b>	<b>Finance</b>			
	Inter-corporate deposits / Fixed deposits placed (net)	14,315.00	4,200.00	-
		(11,340.00)	(4,450.00)	-
	Dividends Paid (for previous year)	273.84	-	-
		(219.07)	(-)	-
<b>4</b>	<b>Balances as at the year end</b>			
	Receivables	2,575.22	154.93	-
		(1,187.63)	(168.18)	-
	Payables (refer note ii)	70.11	-	-
		(80.06)	(-)	-

\* includes ultimate parent company, Mahindra and Mahindra Limited

### Notes:

- Amounts in brackets represent amounts pertaining to previous financial year.
- The above amount excludes payments towards reimbursement of expenses.

### Significant related party transactions are as under:

				(Rs. in lacs)	
Sr. No.	Nature of transactions		Holding Companies*	Fellow subsidiary Companies	
1	INCOME	Other Income	Mahindra & Mahindra Financial Services Limited	1,363.13	-
				(972.18)	-
			Mahindra Rural Housing Finance Limited	-	411.71
				-	(402.67)
		Handling Charges (Gross of Service Tax)	Mahindra & Mahindra Financial Services Limited	2,389.54	-
				(1,685.59)	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

		(Rs. in lacs)	
Sr. No.	Nature of transactions	Holding Companies*	Fellow subsidiary Companies
2	EXPENSE	Expenses (Gross of Service Tax)	
	Administration Support Charges	Mahindra & Mahindra Financial Services Limited	149.78 (135.60)
	Employee Compensation Expenses on account of ESOPs	Mahindra & Mahindra Financial Services Limited	200.07 (146.31)
	Deputation of Personnel	Mahindra & Mahindra Financial Services Limited	3.40 -
		Mahindra & Mahindra Limited	11.31 -
	Training Expenses	Mahindra & Mahindra Limited	9.86 -
3	FINANCE	Inter Corporate Deposits given	
		Mahindra & Mahindra Financial Services Limited	925.00 (1,575.00)
		Mahindra Rural Housing Finance Limited	- 4,200.00 (4,450.00)
	Fixed Deposit Given	Mahindra & Mahindra Financial Services Limited	13,390.00 (9,765.00)
	Dividends Paid (for previous year)	Mahindra & Mahindra Financial Services Limited	273.84 (219.07)
4	OUTSTANDINGS	Receivables	
		Mahindra & Mahindra Financial Services Limited	810.73 (483.40)
		Mahindra Rural Housing Finance Limited	- 7.88 (4.33)
	Interest Accrued on ICD/FD Placed	Mahindra & Mahindra Financial Services Limited	1,764.49 (704.24)
	Interest Accrued on ICD placed	Mahindra Rural Housing Finance Limited	- 147.05 (163.84)
	Payables	Mahindra & Mahindra Financial Services Limited	61.96 (80.06)

## NOTE 25 TRANSACTIONS IN FOREIGN CURRENCY ARE AS UNDER

		(Rs. in Lacs)	
		Year ended March 31	
		2016	2015
Revenue in Foreign Currency			
Brokerage		114.35	107.03
Consultancy Fees		107.57	99.80
<b>Total</b>		<b>221.93</b>	<b>206.83</b>

		(Rs. in Lacs)	
		Year ended March 31	
		2016	2015
Expenses in Foreign Currency			
Travelling Expenses		28.46	8.50
Software Expenses		22.55	21.76
Other Expenses		84.20	8.11
<b>Total</b>		<b>135.21</b>	<b>38.37</b>

**NOTE 26** The company has incurred a cost of Rs. 203.78 lacs (previous year Rs. 146.31 lacs) for Employee Stock Options (ESOS) of the ultimate holding company Mahindra & Mahindra and holding company Mahindra & Mahindra Financial Services Limited (MMFSL), to employees of the company.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**NOTE 27** In accordance with the provisions of Accounting Standard – 15 (revised) issued by the Institute of Chartered Accountants of India; cost of employee benefits in the form of compensated absences for the period ended March 31, 2016 Rs. 64.11 lacs (Previous Year Rs. 62.60 lacs) and has been recognised in the Statement of Profit & Loss as such. The Present Value of obligation on account of such compensated absences is Rs. 146.30 lacs (Previous Year Rs. 115.41 lacs) as at March 31, 2016.

## NOTE 28 DEFINED EMPLOYEE BENEFITS

(Rs. in Lacs)

GRATUITY - Fully Funded		Gratuity Funded		Leave Non-Funded	
		March 2016	March 2015	March 2016	March 2015
<b>I Change in Obligation during the year ended March 31, 2016</b>					
1	Present value of obligation as the beginning of the year	121.18	84.19	115.41	79.75
2	Interest Cost	12.21	7.92	10.10	7.26
3	Current Service Cost	111.90	76.79	132.32	116.32
4	Actuarial (Gain)/Loss on Obligations	(51.68)	(44.44)	(111.53)	(87.92)
5	Benefits Paid	(2.79)	(3.28)	-	-
6	Present value of Defined Benefit Obligation at the end of the year.	<b>190.82</b>	<b>121.18</b>	<b>146.30</b>	<b>115.41</b>
<b>II Change in Assets during the Year ended March 31, 2016</b>					
1	Plan Assets at the beginning of the year	137.05	96.01	-	-
2	Expected return on plan assets.	10.96	7.82	-	-
3	Contributions by Employer	50.00	46.66	-	-
4	Actual benefits paid	(2.79)	(3.28)	-	-
5	Actuarial Gain/(Losses)	2.85	(10.16)	-	-
6	Plan Assets at the end of the year	<b>198.07</b>	<b>137.05</b>	<b>-</b>	<b>-</b>
<b>III Net Asset/(Liability) recognized in the Balance Sheet as at March 31, 2016</b>					
1	Present Value of Defined Obligation as at March 31, 2016	190.82	121.18	146.30	115.41
2	Fair Value of plan assets as at March 31, 2016	198.07	137.05	-	-
3	Fund status ( Surplus/(Deficit))	<b>7.25</b>	<b>15.87</b>	<b>(146.30)</b>	<b>(115.41)</b>
4	Net Assets/ (Liability) as at March 31, 2016	<b>7.25</b>	<b>15.87</b>	<b>(146.30)</b>	<b>(115.41)</b>
<b>IV Expenses recognized in the statement of Profit and Loss for the year ended March 31, 2016</b>					
1	Current Service cost	111.90	76.79	132.32	116.32
2	Interest Cost	12.21	7.92	10.10	7.26
3	Expected return on Plan Assets	(10.96)	(7.82)	-	-
4	Net Actuarial (Gains)/Losses (Net of Opening Actuarial Gain/(Loss) adjustment)	<b>(54.54)</b>	<b>(34.29)</b>	<b>(111.53)</b>	<b>(87.92)</b>
5	Expenses recognized in statement of Profit & Loss	<b>58.61</b>	<b>42.60</b>	<b>30.89</b>	<b>35.66</b>
<b>V The Major Categories in Plan Assets as a percentage of total plan</b>		100%	100%		
1	Insurer Managed Funds				
<b>VI Method of Valuation :-</b>		Projected Unit Credit Method			
<b>VII Actuarial Assumption</b>					
1	Discount Rate	8%	8%	8%	8%
2	Expected rate of return on plan assets	8%	8%		

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

GRATUITY - Fully Funded	Gratuity Funded		Leave Non-Funded	
	March 2016	March 2015	March 2016	March 2015
3 Mortality Table	LIC (IALM) (2006-08) Ultimate	LIC (IALM) (2006-08) Ultimate	LIC (IALM) (2006-08) Ultimate	LIC (IALM) (2006-08) Ultimate
4 Salary Increment Rate	5%	5%	5%	5%
5 Retirement Age	60 Years	60 Years	60 Years	60 Years
6 Withdrawal	Attrition rate of 1% up to the age of 30 Years		Attrition rate of 1% up to the age of 30 Years	

## VIII Experience Adjustments:

(Rs. in Lacs)

	Year Ended				
	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
Defined Benefit obligation at end of the period	46.41	65.80	84.19	121.18	190.82
Plan assets at the end of period	48.05	68.02	96.01	137.05	198.07
Funded Status (Surplus) / Deficit	(1.64)	(2.22)	(11.82)	(15.87)	(7.25)
Experience adjustments on plan liabilities (gain)/loss	(6.96)	(5.98)	(18.50)	(15.98)	(22.17)
Experience adjustments on plan assets gain/(loss)	(0.83)	(1.06)	(1.34)	(2.03)	(2.74)

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 29 EARNINGS PER SHARE:</b>		
Amount used as numerator – Balance of Profit after Tax available for shareholders (Rs. in Lacs)	4,848.59	4293.58
Weighted average number of equity shares used in computing basic earnings per share	25,77,320	25,77,320
Weighted average number of equity shares used in computing diluted earnings per share	25,77,320	25,77,320
Basic earnings per share (Rs.) (Face value of Rs.10 per share)	188.13	166.59
Diluted earnings per share (Rs.)	188.13	166.59

**NOTE 30** Suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006, has not furnished the information regarding filing of necessary memorandum with appointed authority. In view of this and legal opinion obtained by the Company, information required under Section 22 of the said Act is not given.

**NOTE 31** Previous year figures have been regrouped /reclassified wherever found necessary.

## Signatures to Significant accounting policies and Notes to the financial statements – I and II

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Rajeev Dubey**  
Chairman

**Ramesh Iyer**  
Director

**Nityanath Ghanekar**  
Director

**Anjali Raina**  
Director

**H.P. Mahajani**  
Partner  
Membership No. 30168

**Dr. Jaideep Devare**  
Managing Director

**V. Ravi**  
Director

**Hemant Sikka**  
Director

**Rupa Joshi**  
Company Secretary

Place : Mumbai  
Date : April 15, 2016

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their Ninth Report together with the audited Financial Statements of your Company for the year ended March 31, 2016.

## FINANCIAL RESULTS

Particulars	Amount in Rs. Lacs	
	For the year ended March 31,	
	2016	2015
Income	49,544.73	32,844.47
Less: Finance Costs	21,332.05	14,112.07
Expenditure	18,199.70	11,725.59
Depreciation and Amortisation Expenses	343.34	275.01
Total Expenses	39,875.09	26,112.67
Profit Before Tax	9,669.64	6,731.80
Less: Provision for Tax		
Current Tax	3,818.00	2,394.00
Income Tax – earlier years	71.90	58.72
Deferred Tax	(488.29)	(138.26)
Profit/(Loss) for the year	6,268.03	4,417.34
Profit/(Loss) brought forward from previous year	3,898.79	2,934.78
Amount available for Appropriation	10,166.82	7,352.12
<b>Appropriations:</b>		
Special Reserve	2,300.00	1,450.00
Additional Special Reserve (u/s 29C of NHB Act, 1987)	25.00	25.00
General Reserve	–	222.00
* Proposed dividend on Equity Shares	–	854.58
* Income-tax on proposed dividend	–	173.99
Additional Depreciation charged due to change in the useful life (Companies Act, 2013)	–	21.68
Deferred Tax Liability on Special Reserve	–	706.08
Surplus Carried to Balance Sheet	7,841.82	3,898.79

\* Provision for the dividend on Equity Shares and Income-tax on proposed dividend will be made upon the approval of the proposed dividend by Shareholders at the forthcoming Annual General Meeting. This is in compliance with the Companies (Accounting Standards) Amendment Rules, 2016, issued by the Ministry of Corporate Affairs, vide its Notification No. G.S.R.364 (E) dated March 30, 2016.

There have been no material changes and commitments, affecting the financial position of the Company which occurred between the end of the Financial Year 2015-16 and the date of this Report.

## INDUSTRY OVERVIEW

A report published by KPMG (“Decoding Housing for All by 2022”), pegs the current shortage of Housing units at 5.9 crore units. Of this, the shortage in rural areas is 4 crore units while the shortage in urban areas is placed at 1.9 crore units. Estimates made by other bodies indicate a similar large shortage of housing units. Recognising this issue, the Government has launched an ambitious program to implement “Housing For All.” The large unmet demand for housing is unlikely to be met without adequate housing finance assistance being extended and this represents an opportunity for your Company. Your Company is uniquely placed to help in addressing this crying social need because of the reach and more importantly the knowledge your Company has acquired about the customer segment the Company

serves. Your Company will continue to focus on serving the underserved rural customers and grow the business. In addition, your Company will now begin focusing on the affordable housing segment in smaller towns as well. The Government’s focus on this segment and the large unmet demand would combine to make this initiative develop into another growth engine for the Company.

## OPERATIONS

During the year under review, the total income was Rs. 495.45 crores as against Rs. 328.44 crores for the Financial Year 2014-15, registering a growth of 51% over the previous year. Profit before tax was 44% higher at Rs. 96.70 crores as compared to Rs. 67.32 crores for the previous year. Profit after tax was 42% higher at Rs. 62.68 crores as compared to Rs. 44.17 crores for the previous year.

Your Company has disbursed loans aggregating Rs. 1,552.48 crores (previous year Rs. 989.57 crores) achieving a growth of 57% over the previous year. The

outstanding loan portfolio as at March 31, 2016 stood at Rs. 3,264.52 crores. Your Company continued its focus on serving customers in rural India. Majority of the loans disbursed were to customers in villages with an average annual household income of less than Rs. 1.50 lacs. During the year under review, around 1,25,000 households were given home loans (in addition to around 2,63,000 existing households as at March 31, 2015). Your Company has been expanding its geographical presence to provide affordable services for rural households.

During the year under review, operations were strengthened in the states of Maharashtra, Gujarat, Rajasthan, Tamilnadu, Andhra Pradesh, Kerala, Karnataka, Madhya Pradesh, Uttar Pradesh and Bihar.

### TRANSFER TO RESERVES

The Company proposes to transfer an amount of Rs. 23.25 crores to the Statutory Reserve. No amount is proposed to be transferred to General Reserve and an amount of Rs. 78.42 crores is proposed to be retained in the Statement of Profit and Loss.

### DIVIDEND

Your Directors recommend a dividend of Rs. 1.40 per Equity Share on 7,57,29,181 Equity Shares of the face value of Rs. 10 each, aggregating to Rs. 10.60 crores.

The above dividend, if approved, will be paid to those Members whose names appear in the Register of Members as on the Record Date fixed for this purpose.

The dividend, including dividend distribution tax, surcharge and education cess, will absorb a sum of Rs. 12.76 crores [as against Rs. 10.29 crores (including tax) on account of dividend of Rs. 1.30 per Equity Share, paid for the previous year].

### FINANCE

During the year under review, your Company has been sanctioned Term Loans of Rs. 947 crores from banks for tenures of three to five years.

As at March 31, 2016 the outstanding borrowings from Banks stood at Rs. 1,953.66 crores (of Long Term Loans) and the outstanding borrowings from National Housing Bank cumulatively amounted to Rs. 212.95 crores.

During the year under review, your Company has raised an amount of Rs. 60.00 crores by issue of 600 Unsecured Subordinated Redeemable Non-Convertible Debentures (NCDs) of Rs. 10,00,000 each for cash at par on a

Private Placement basis. The Company has been regular in repayment of its borrowings and payment of interest due thereon. There were no NCDs which have not been claimed by the investors or not paid by the Company after the date on which the NCDs became due for redemption.

### LISTING

During the year under review, your Company's NCDs have been listed on the BSE Limited and the Company has paid the requisite listing fees in full.

### CREDIT RATING

During the year under review, India Ratings & Research Private Limited has reaffirmed the rating to the Company's Bank facilities, Non-Convertible Debentures and Subordinated Debt as 'IND AA+' with stable outlook and has assigned 'IND A1+' rating to the Commercial Paper issued by the Company.

Credit Analysis & Research Limited has assigned the 'CARE AA+' Rating to the Company's Non-Convertible Debentures and reaffirmed the rating as 'CARE AA+' to the Subordinated Debt of the Company.

### ACHIEVEMENTS

Your Company won the prestigious Porter Prize Award for 'Industry Architectural Shift' during the year under review. The award recognizes your Company's outstanding performance in the industry and its contribution in re-defining the industry structure by challenging the very basis of competition, creating new business models, challenging the status quo and exploiting change. It is one of the most prestigious awards in the industry given for company strategy.

During the year under review, your Company was recognised by the Ross School of Business' Positive Business Project. The Company was showcased in their handbook of "Positive Business".

### SHARE CAPITAL

During the year under review, 99,92,044 Equity Shares of the face value of Rs. 10 each were allotted to the existing Shareholders of the Company on a Rights basis for cash at a premium of Rs. 30 per Share aggregating to Rs. 39.97 crores. Your Company has duly utilised the issue proceeds to augment its capital base, meet its capital requirements and for other general corporate purposes. Post allotment of Equity Shares as aforesaid, the issued, subscribed and paid-up Share Capital of the Company stands at Rs. 75.73 crores comprising of 7,57,29,181 Equity Shares of Rs. 10 each fully paid-up.

During the year under review, the Company has neither

issued shares with differential voting rights as to dividend, voting or otherwise, nor has issued sweat equity. The Company has not formulated any Employees' Stock Option Scheme during the year under review. There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which, loan was given by the Company.

As at March 31, 2016, none of the Directors of the Company holds instruments convertible into Equity Shares of the Company.

### **DEPOSITORY SYSTEM**

Your Company's Equity Shares are available for dematerialisation through National Securities Depository Limited. As at March 31, 2016, 86.81% of the Equity Shares of your Company were held in dematerialised form.

### **CAPITAL ADEQUACY**

Consequent upon the allotment of Equity Shares on a Rights basis, the paid-up Share Capital of the Company has increased to Rs. 75.73 crores as at March 31, 2016 from Rs. 65.74 crores as at March 31, 2015. The securities premium account has also been credited with Rs. 29.98 crores.

As a result of the increased net worth, the Capital to Risk Assets Ratio (CRAR) of your Company enhanced to 23.65 per cent as at March 31, 2016 which is well above the 12 per cent CRAR prescribed by the National Housing Bank.

### **NON-PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY**

Your Company scrupulously adheres to the prudential guidelines for Non-Performing Assets (NPAs) issued by the National Housing Bank under its Housing Finance Companies (NHB) Directions, 2010, as amended from time to time. Your Company has made adequate provision for the assets on which instalments are overdue for more than 90 days and on other assets, as required. Inclusion of Housing Companies with an asset size of Rs. 500 crores and above under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) will give a boost to the recovery efforts and reduce asset quality problems in future.

### **INSPECTION BY NATIONAL HOUSING BANK (NHB)**

During the Financial Year 2015-16, NHB has carried out the Inspection of your Company for the financial position as at March 31, 2014. NHB had advised the Company to calculate the impact of re-classification of assets

based on the date of NPAs as against number of days overdue on Net Owned Funds/ CRAR as at March 31, 2014. Accordingly, your Company has re-classified the assets which resulted in the requirement of additional provision of Rs. 11.12 lacs. As mentioned in the Note No. 2.2 to the Audited Financial Statements for the Financial Year ended March 31, 2014, your Company has made an additional provision of Rs. 140.91 lacs over and above the norms prescribed by NHB. After considering the re-classification impact of Rs. 11.12 lacs, the additional provision would stand reduced to Rs. 129.79 lacs. Accordingly, there is no impact of the said re-classification on the Net Owned Funds/CRAR as at March 31, 2014.

### **INSURANCE PROTECTION TO BORROWERS**

Your Company has tied up with Kotak Mahindra Old Mutual Life Insurance Limited and Cholamandalam MS General Insurance Company Limited for insurance of its housing loan products alongwith life insurance called Sampurna Suraksha Plan which covers the borrowers of the Company.

### **DIRECTORS**

On the recommendation of the Nomination and Remuneration Committee and the Board of Directors, the Shareholders at their Extraordinary General Meeting held on August 13, 2015, have appointed Mr. Narendra Mairpady (DIN : 00536905) as an Independent Director of the Company for a period of five consecutive years commencing from August 13, 2015.

None of the Independent Directors are due for re-appointment.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. K. Chandrasekar, Non-Executive Non-Independent Director of the Company retires by rotation at the forthcoming Annual General Meeting scheduled to be held on July 14, 2016 and being eligible, has offered himself for re-appointment.

### **KEY MANAGERIAL PERSONNEL**

During the year under review, Ms. Harshada Pathak, Company Secretary and Key Managerial Personnel resigned from the services of the Company. The resignation was effective from October 14, 2015.

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee has appointed

Ms. Arnavaz M. Pardiwalla as the Company Secretary & Compliance Officer of the Company with effect from March 11, 2016. Ms. Arnavaz Pardiwalla is also the

Company Secretary & Compliance Officer and Key Managerial Personnel of Mahindra & Mahindra Financial Services Limited, the Holding Company.

Mr. Anuj Mehra, Managing Director, Mr. Dharmesh Vakharia, Chief Financial Officer and Ms. Arnavaz M. Pardiwalla, Company Secretary & Compliance Officer are the Key Managerial Personnel of the Company as per the provisions of Section 203 of the Companies Act, 2013.

### COMPOSITION OF THE BOARD

The composition of the Board of Directors of your Company is in conformity with the provisions of the Companies Act, 2013, as amended from time to time. The Company has a Non-Executive Chairman, a Managing Director, three Non-Executive Non-Independent Directors (including a Nominee Director appointed by National Housing Bank) and three Independent Directors. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long term objectives of enhancing stakeholders' value are met.

#### Board Meetings and Annual General Meeting

During the Financial Year 2015-16, the Board of Directors met six times on April 15, 2015, July 13, 2015, October 14, 2015, January 16, 2016, February 24, 2016 and March 11, 2016.

The names and categories of the Directors of the Company, their attendance at the Board Meetings held during the Financial year 2015-16 and at the last Annual General Meeting (AGM) of the Company held on July 13, 2015, are as follows:

Names of Directors	Category	Attendance at the Board Meetings held during F.Y. 2015-16		Attendance at the last Annual General Meeting held on July 13, 2015 (Yes/No/N.A.)
		Held	Attended	
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	6	6	Yes
Mr. Anuj Mehra (Managing Director)	Executive Director	6	6	Yes
Mr. V. Ravi	Non-Executive Non-Independent Director	6	6	Yes
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	6	5	Yes

Names of Directors	Category	Attendance at the Board Meetings held during F.Y. 2015-16		Attendance at the last Annual General Meeting held on July 13, 2015 (Yes/No/N.A.)
		Held	Attended	
Mr. K. Chakarvarthy (Nominee of National Housing Bank)	Non-Executive Non-Independent Director	6	4	No
Mr. Nityanath Ghaneekar	Independent Director	6	6	Yes
Mrs. Anjali Raina	Independent Director	6	5	Yes
Mr. Narendra Mairpady (1)	Independent Director	6	4	N.A.
Mr. Uday Y. Phadke (2)	Non-Executive Non-Independent Director	6	2	Yes

Notes:

- (1) Appointed as an Independent Director with effect from August 13, 2015.
- (2) Ceased to be Director with effect from July 13, 2015.

### MEETINGS OF INDEPENDENT DIRECTORS

The Independent Directors met twice during the year under review. The Meetings were conducted in an informal manner without the presence of the Chairman, the Managing Director, the Non-Executive Non-Independent Directors and the Chief Financial Officer.

### COMMITTEES OF THE BOARD

#### (a) AUDIT COMMITTEE

Your Company has an adequately qualified and experienced Audit Committee. The Audit Committee was re-constituted during the year under review by inducting Mr. Narendra Mairpady, Independent Director, as a Member of the Committee. As at March 31, 2016, the Audit Committee comprised of four Non-Executive Directors of which three are Independent Directors. The Committee comprises of Mr. Nityanath Ghaneekar (Chairman), Mrs. Anjali Raina and Mr. Narendra Mairpady, all Independent Directors and Mr. V. Ravi, Non-Executive Non-Independent Director.

The terms of reference of the Audit Committee were revised during the year under review to bring them in line with the provisions of the Companies Act, 2013. The revised terms of reference of the Audit Committee are:

- a) To recommend appointment, remuneration and terms of appointment of auditors and internal auditors of the Company;
- b) To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- c) To examine the quarterly and annual financial statements and the auditors' report thereon;
- d) To approve or subsequently modify transactions of the Company with related parties;
- e) To scrutinize inter-corporate loans and investments;
- f) To undertake valuation of undertakings or assets of the Company, wherever it is necessary;
- g) To evaluate internal financial controls and risk management systems;
- h) To monitor the end use of funds raised through public offers and related matters;
- i) To formulate the scope, functioning, periodicity and methodology for conducting the internal audit, in consultation with the Internal Auditor;
- j) To discharge from time to time such other acts, duties and functions as may be assigned by the Board of Directors or prescribed under the Companies Act, 2013 or any other applicable law and Rules made thereunder.

The Audit Committee met thrice during the year under review on April 15, 2015, October 14, 2015 and January 16, 2016.

The attendance of the Members of the Audit Committee at its Meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	Audit Committee Meetings	
		Held	Attended
Mr. Nityanath Ghanekar (Chairman)	Independent Director	3	3
Mrs. Anjali Raina	Independent Director	3	3
Mr. Narendra Mairpady *	Independent Director	3	1

Names of Members	Category	Audit Committee Meetings	
		Held	Attended
Mr. V. Ravi	Non-Executive Non-Independent Director	3	3

\* Appointed as a Member with effect from October 14, 2015.

The Board has accepted all the recommendations made by the Audit Committee during the year under review. The Chairman of the Board, Managing Director, Chief Financial Officer, Chief Internal Auditor of Mahindra & Mahindra Limited and Statutory Auditors are regularly invited to attend the Audit Committee Meetings. The Company Secretary is the Secretary to the Committee.

Mr. Nityanath Ghanekar, Chairman of the Audit Committee, was present at the 8th Annual General Meeting of the Company held on July 13, 2015.

#### (b) NOMINATION AND REMUNERATION COMMITTEE

As at March 31, 2016, the Nomination and Remuneration Committee of the Board of Directors comprised of four members viz. Mr. Ramesh Iyer and Mr. K. Chandrasekar, Non-Executive Non-Independent Directors and Mr. Nityanath Ghanekar and Mrs. Anjali Raina, Independent Directors. The Committee met twice during the year under review on July 13, 2015 and August 12, 2015. The Nomination and Remuneration Committee inter alia recommends the appointment and removal of Directors and carries out evaluation of performance of every Director in accordance with the framework adopted by the Board. The Committee is also empowered to look into the entire gamut of remuneration package for the working Director(s) and revise their remuneration subject to limits approved by the Shareholders.

The attendance of the Members of Nomination and Remuneration Committee at its Meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	Nomination and Remuneration Committee Meetings	
		Held	Attended
Mr. Ramesh Iyer	Non-Executive Non-Independent Director	2	2

Names of Members	Category	Nomination and Remuneration Committee Meetings	
		Held	Attended
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	2	2
Mr. Nityanath Ghanekar	Independent Director	2	2
Mrs. Anjali Raina	Independent Director	2	1

### (c) ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) of the Board of Directors comprises of Mr. Ramesh Iyer (Chairman of the Committee), Mr. K. Chandrasekar and Mr. V. Ravi, Non-Executive Non-Independent Directors. The ALCO Committee met twice during the year on April 15, 2015 and October 14, 2015. The Committee oversees the Asset Liability Management system of the Company.

The attendance of the Members of ALCO Committee at its Meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	ALCO Committee Meetings	
		Held	Attended
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	2	2
Mr. V. Ravi	Non-Executive Non-Independent Director	2	2
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	2	2

### (d) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility ('CSR') Committee has been constituted by the Board of Directors to formulate and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company in compliance with the provisions of the Companies Act, 2013 (the Act) and the Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR Committee inter alia, allocates the amount of expenditure to be incurred by the Company on CSR activities as enumerated in Schedule VII to the Act and monitors the CSR Policy of the Company periodically. The CSR Policy of the Company is displayed on the website of the Company

at the web-link: <http://www.mahindrahomefinance.com/csr-policy.php>.

Mr. Ramesh Iyer, Chairman and Non-Executive Non-Independent Director is the Chairman of the Committee. Mr. K. Chandrasekar and Mr. V. Ravi, Non-Executive Non-Independent Directors, Mr. Anuj Mehra, Managing Director and Mrs. Anjali Raina, Independent Director are the other Members of the Committee. The Committee held three meetings during the year under review. The Committee met on April 15, 2015, September 30, 2015 and March 11, 2016.

The attendance of the Members of CSR Committee at its Meetings held during the Financial Year 2015-16 is given below:

Names of Members	Category	CSR Committee Meetings	
		Held	Attended
Mr. Ramesh Iyer (Chairman)	Non-Executive Non-Independent Director	3	3
Mr. V. Ravi	Non-Executive Non-Independent Director	3	3
Mr. K. Chandrasekar	Non-Executive Non-Independent Director	3	1
Mrs. Anjali Raina	Independent Director	3	3
Mr. Anuj Mehra	Managing Director	3	3

During the year under review, your Company spent Rs. 109.43 Lacs towards CSR activities pertaining to eradicating hunger and poverty and promoting education for the girl child and financial literacy amongst children and women.

Your Company is in compliance with the statutory requirements in this regard.

The Annual Report on the CSR activities undertaken by your Company in the Financial Year 2015-16 is appended as **Annexure I** to this Report.

### PERFORMANCE EVALUATION OF THE BOARD

Pursuant to the provisions of the Companies Act, 2013, the Board of Directors has carried out an annual evaluation of its own performance and that of its Committees as well as the performance of the Directors individually.

Well-defined and structured questionnaires were used in the evaluation process, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, areas of responsibility, execution and performance of specific duties, obligations, governance and compliance perspective. The evaluation was carried out based on the feedback received from Directors.

A separate exercise was carried out by the Nomination and Remuneration Committee to evaluate the performance of individual Directors. The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. The performance evaluation of Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman was carried out by the Independent Directors, after taking into account the views of the Executive and Non-Executive Directors. The Directors have expressed their satisfaction with the evaluation process.

#### DECLARATION GIVEN BY INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors of the Company confirming that they fulfil the criteria of independence as prescribed under Sub-Section (6) of Section 149 of the Companies Act, 2013.

#### COMPANY'S POLICIES ON DIRECTORS' APPOINTMENT AND REMUNERATION

The Company has adopted the following policies as required under Sub-Section (3) of Section 178 of the Companies Act, 2013:

- (i) 'Policy to determine qualifications, positive attributes and independence of Directors and evaluation of the Board, Committees and individual Directors',
- (ii) 'Policy on Remuneration of Directors' and,
- (iii) 'Remuneration Policy for Key Managerial Personnel (KMPs) and Employees'.

The Nomination and Remuneration Committee while recommending the appointment of Directors considers desirable qualifications which may amongst other things include professional qualifications, skills, professional experience, background and knowledge apart from the criteria of independence as prescribed under the Companies Act, 2013.

The Policy on Remuneration of Directors and Remuneration Policy for KMPs and Employees of the Company is appended as Annexure II to this Report in accordance with the provisions of Sub-Section (4) of Section 178 of the Companies Act, 2013.

#### PARTICULARS OF REMUNERATION

Disclosures pursuant to Section 197(12) of the Companies Act, 2013 and Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are as under:

##### 1. Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the Financial Year 2015-16:

Name of the Director	Designation	Ratio of the remuneration of each Director to median remuneration of employees
Mr. Ramesh Iyer	Chairman	NIL *
Mr. V. Ravi	Non-Executive Non- Independent Director	NIL *
Mr. K. Chandrasekar	Non-Executive Non- Independent Director	NIL *
Mr. Nityanath Ghanekar	Independent Director	5.90X
Mrs. Anjali Raina	Independent Director	5.98X
Mr. Narendra Mairpady	Independent Director	3.58X
Mr. K. Chakravarthy	Non-Executive Director (Nominee of National Housing Bank)	NIL *
Mr. Anuj Mehra	Managing Director	148.16X

\* Mr. Ramesh Iyer, Mr. V. Ravi, Mr. K. Chandrasekar and Mr. K. Chakravarthy do not receive any remuneration from the Company.

##### 2. Percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the Financial Year 2015-16:

Name of the Director/KMP	Designation	% increase in Remuneration
Mr. Ramesh Iyer	Chairman	NIL *
Mr. V. Ravi	Non-Executive Non- Independent Director	NIL *
Mr. K. Chandrasekar	Non-Executive Non- Independent Director	NIL *
Mr. Nityanath Ghanekar	Independent Director	N.A. **

Name of the Director/KMP	Designation	% increase in Remuneration
Mrs. Anjali Raina	Independent Director	N.A. **
Mr. Narendra Mairpady	Independent Director	N.A. ***
Mr. K. Chakravarthy	Non-Executive Director (Nominee of National Housing Bank)	NIL *
Mr. Anuj Mehra	Managing Director	48
Mr. Dharmesh Vakharia	Chief Financial Officer	3
Ms. Arnava M. Pardiwalla****	Company Secretary & Compliance Officer	- 21.09*****
Ms. Harshada Pathak****	Company Secretary	

\* Mr. Ramesh Iyer, Mr. V. Ravi, Mr. K. Chandrasekar and Mr. K. Chakravarthy do not receive any remuneration from the Company.

\*\* Mr. Nityanath Ghanekar and Mrs. Anjali Raina were appointed as Directors with effect from March 30, 2015 and hence details in respect of % increase have not been provided.

\*\*\* Mr. Narendra Mairpady was appointed as an Independent Director with effect from August 13, 2015 and hence details in respect of % increase have not been provided.

\*\*\*\* Ms. Harshada Pathak resigned from the services of the Company as the Company Secretary and Key Managerial Personnel with effect from October 14, 2015. Ms. Arnava M. Pardiwalla has been appointed as the Company Secretary & Compliance Officer with effect from March 11, 2016. She is also the Company Secretary of Mahindra & Mahindra Financial Services Limited (MMFSL), the Holding Company and her entire remuneration is borne by MMFSL.

\*\*\*\*\* Secretarial function is covered under the cost sharing arrangement with the Holding Company.

### 3. Percentage increase in the median remuneration of employees in the Financial Year:

5.22% considering employees who were in employment for the whole of the Financial Year 2014-15 and Financial Year 2015-16.

### 4. Number of Permanent employees on the rolls of Company as at March 31, 2016:

As at March 31, 2016, there were 4,396 permanent employees on the rolls of the Company.

### 5. Explanation on relationship between average increase in Remuneration and Company performance:

The increase in the Remuneration is in line with the financial performance of the Company, market trends and Industry benchmarking. On an average, employees received an annual increase of 9.83%. The individual increment varied from 8% to 12%, based on individual performance.

### 6. Comparison of Remuneration of the Key Managerial Personnel against the performance of the Company:

The Key Managerial Personnel were paid approximately 2.91% in aggregate of the Profit Before Tax during the Financial Year 2015-16.

### 7. Variations in the market capitalisation of the company, price earnings ratio of the Company as at the closing date of the current Financial Year and previous financial year and percentage increase/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, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current Financial Year and previous Financial Year:

Mahindra Rural Housing Finance Limited is a listed company since its debentures are listed on the BSE Limited. Details of variations in the Net Worth of the Company are given below:

Particulars	Rs. in crores		
	As at March 31, 2016	As at March 31, 2015	Variation
Net Worth	275.77	173.16	Increased by 102.61 (59.26%)

### 8. Average percentile increase already made in the salaries of employees other than the Managerial Personnel in the last Financial Year i.e. 2015-16 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.

For employees other than Managerial Personnel who were in employment for the whole of the Financial Year 2014-15 and Financial Year 2015-16, the average increase is 10.63%. Average increase for Managerial Personnel is 9.44%

**9. Comparison of each remuneration of the Key Managerial Personnel against the performance of the Company:**

Name of KMP	Designation	% to Profit Before Tax for F.Y. 2015-16
Mr. Anuj Mehra	Managing Director	2.02
Mr. Dharmesh Vakharia	Chief Financial Officer	0.82
Ms. Arnavaz M. Pardiwalla*	Company Secretary & Compliance Officer	0.07**
Ms. Harshada Pathak*	Company Secretary	

\* Ms. Harshada Pathak resigned from the services of the Company as the Company Secretary and Key Managerial Personnel with effect from October 14, 2015. Ms. Arnavaz M. Pardiwalla has been appointed as the Company Secretary & Compliance Officer with effect from March 11, 2016. She is also the Company Secretary of Mahindra & Mahindra Financial Services Limited (MMFSL), the Holding Company and her entire remuneration is borne by MMFSL.

\*\* Secretarial function is covered under the cost sharing arrangement with the Holding Company.

**10. Key parameters for any variable component of remuneration availed by the Directors:**

The key parameters for the variable component of remuneration availed by the Directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee in accordance with the Remuneration Policy for Directors. The Performance Pay of the Managing Director is aggregate of Individual Key Result Areas and Company's Key Performance Indicators.

Independent Directors shall be paid commission upto 1% of the Net Profits of the Company computed as per the applicable provisions of the Companies Act, 2013 and as approved by the Shareholders in the forthcoming Annual General Meeting. The said commission has been decided by the Board of Directors and shall be distributed amongst the Independent Directors.

**11. 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:**

The highest paid Director is the Managing Director of the Company. During the Financial Year 2015-16, no employee has received remuneration in excess of the remuneration received by the Managing Director.

**12. Affirmation that the remuneration is as per the Remuneration Policy of the Company.**

The remuneration paid/payable is as per the Policy on Remuneration of Directors and Remuneration Policy for Key Managerial Personnel and Employees, adopted by the Company.

Mr. Anuj Mehra, Managing Director of the Company does not receive any remuneration or commission from the Holding Company. However, the Managing Director has been granted stock options under the Employees' Stock Option Scheme of the Holding Company, Mahindra & Mahindra Financial Services Limited and has exercised the stock options during the year, which were granted in earlier year(s).

The Company had 2 employees who were in receipt of remuneration of not less than Rs. 60,00,000 during the Financial Year ended March 31, 2016 or not less than Rs. 5,00,000 per month during any part of the year.

Details of employee remuneration as required under the provisions of Section 197 of the Companies Act, 2013 read with Rules 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in **Annexure III**.

None of the employees listed in the said Annexure is a relative of any Director of the Company.

None of the employees holds, either by himself or along with his spouse or dependent children, more than two per cent of the Equity Shares of the Company.

**HUMAN RESOURCES AND TRAINING**

Your Company took a number of initiatives to strengthen human resources during the year under review. In pursuance of the Company's commitment to develop and retain the best available talent, the Company has been sponsoring the employees for training programmes organized by reputed faculties and professional institutions for building capabilities thereby upgrading the skill and knowledge of the employees in different operational areas. Constant endeavours are being made to offer professional growth opportunities and recognitions to employees, apart from imparting required training.

The Company has also conducted various engagement surveys to understand the engagement levels across employees for devising various policies which has helped in boosting employee morale and engagement levels.

The Company had 4,396 employees as at March 31, 2016.

Your Company strongly believes in maintaining the dignity of all its employees irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited. The Company has taken necessary steps to enhance awareness amongst its employees in respect of provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder. During the year under review, the Company has not received any complaint on sexual harassment.

### **CODES OF CONDUCT FOR CORPORATE GOVERNANCE**

The Company has adopted Codes of Conduct for Corporate Governance ("the Codes") for its Directors and Senior Management and Employees. These Codes enunciate the underlying principles governing the conduct of the Company's business and seek to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

The Company has, for the year under review, received declarations under the Codes from the Board Members, Senior Management and Employees of the Company affirming compliance with the respective Codes.

### **AUDITORS Statutory Auditors**

Messrs. B. K. Khare & Co., Chartered Accountants, [ICAI Firm Registration No.105102W] the Statutory Auditors of the Company, hold office till the conclusion of the forthcoming Annual General Meeting (AGM) and are eligible for re-appointment. Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules framed thereunder, it is proposed to appoint Messrs. B. K. Khare & Co., as the Statutory Auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the next AGM.

As required under the provisions of Section 139(1) of the Companies Act, 2013, the Company has received a written consent from Messrs. B. K. Khare & Co., Chartered Accountants to their re-appointment and a Certificate, to the effect that their re-appointment, if made, would be in accordance with the Companies Act, 2013 and the Rules framed thereunder and that they satisfy the criteria provided in Section 141 of the Companies Act, 2013 read with Rule 4(1) of the Companies (Audit and Auditors) Rules, 2014.

The Report of Statutory Auditors is a part of this Annual Report. There is no qualification, reservation or adverse remark in the Auditors' Report.

### **Secretarial Auditor**

The Board of Directors of the Company has appointed Messrs. KSR & Co., Company Secretaries LLP, to conduct the Secretarial Audit of the Company, pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In accordance with the provisions of Sub-Section (1) of Section 204, the Secretarial Audit Report for the Financial Year 2015-16 furnished by the Secretarial Auditor is appended to this Report as **Annexure IV**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

During the year under review, the Statutory Auditors and Secretarial Auditor have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under Section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

### **ACCOUNTING STANDARDS FOLLOWED BY THE COMPANY**

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Act and the Guidelines issued by the National Housing Bank.

### **EXTRACT OF THE ANNUAL RETURN**

Pursuant to Sub-Section 3(a) of Section 134 and Sub-Section (3) of Section 92 of the Companies Act, 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2016 is appended to this Report as Annexure V.

### **VIGIL MECHANISM**

The Company promotes ethical behaviour in all its business activities and has established a Vigil Mechanism for Directors and Employees to report their genuine concerns.

As per the Whistle Blower Policy of the Company the Employees are free to report illegal or unethical

behaviour, actual or suspected fraud or violation of the Company's Codes of Conduct or Corporate Governance Policies or any improper activity, to the Chairman of the Audit Committee of the Board of Directors or Chairman of the Company or the Corporate Governance Cell.

Under the Whistle Blower Policy, the confidentiality of those reporting violation(s) is protected and they are not subjected to any discriminatory practices. No personnel have been denied access to the Audit Committee.

The Whistle Blower Policy of the Company is available on the website of the Company at the Web-link: <http://www.mahindrahomelfinance.com/pdf/Whistle-Blower-Policy.pdf>.

### INTERNAL CONTROL SYSTEMS

Your Company has in place an adequate internal control system to safeguard all assets and ensure operational excellence. It also has a team of Internal Auditors to conduct internal audit. Independent audit firms ensure that all transactions are correctly authorised and reported. The Internal Audit reports are discussed with the Management and reviewed by the Audit Committee of the Board of Directors. The Audit Committee also reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. Wherever deemed necessary, internal control systems are strengthened and corrective actions initiated.

### INTERNAL FINANCIAL CONTROL SYSTEM

Your Company has in place, adequate internal financial controls with reference to financial statements, commensurate with the size, scale and nature of its operations.

During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

### RISK MANAGEMENT

Risk Management is an integral part of the Company's business strategy. The Company has adopted a Risk Management Policy and has a well-defined risk management framework in place. Your Company has established procedures to periodically place before the Board risk assessment and minimisation procedures being followed by the Company and steps taken by it to mitigate risks. The risk management process is governed by an enterprise wide risk management framework.

During the year your Company has constituted a Risk Management Committee comprising of the Managing

Director and Senior Executives of the Company to manage the integrated risk and inform the Audit Committee from time to time the progress made in putting in place a progressive risk management system followed by the Company.

The key business risks identified by the Company and its mitigation plans are as under:

1. **Credit Risk:** Credit Risk is inherent to any lending business and the Company also faces this risk. To mitigate this, the Company has put in place stringent lending norms, has developed metrics to evaluate a customer's income and insists on a thorough field investigation to check the viability of lending to a customer.
2. **People Risk:** The Company's business model is highly people centric and the Company's employees are its biggest strength. Retention of employees is hence a key focus area. Extensive training, team building and employee engagement initiatives have been adopted to mitigate this risk. The Company follows a policy of hiring locally. This ensures employees appreciate local conditions which in turn ensures superior productivity while taking credit decisions and also while servicing customers.
3. **Environmental Risk:** Cash flows of a large number of the Company's customers depend on agriculture. Environmental factors affecting crops (yields and/or prices) impact the customer's ability to repay. The Company mitigates this risk through a policy of geographical hedging. The Company engages with its customers through regular follow-up and close monitoring.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013, your Directors, based on the representations received from the Operating Management and after due enquiry, confirm that:

- i. In the preparation of the annual accounts for financial year ended March 31, 2016, the applicable accounting standards have been followed and there are no material departures in adoption of these standards.
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at March 31, 2016 and of the profit of the Company for the year ended on that date.

- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors have prepared the annual accounts for financial year ended March 31, 2016 on a 'going concern' basis.
- v. The Directors have laid down Internal Financial Controls to be followed by the Company and that such Internal Financial Controls are adequate and have been operating effectively.
- vi. The Directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES**

Sub-Section (4) of the Section 186 of the Companies Act, 2013 stipulates that companies disclose in the financial statements, full particulars of loans made and guarantees given or securities provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security. However, Sub-Section (11) of the said Section 186 exempts Housing Finance Companies from making such disclosure in the financial statements for the loans granted and /or guarantees /securities provided by such Housing Finance companies in the ordinary course of business. No investments were made by the Company during the year under review.

#### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

All contracts/arrangements/transactions entered into by the Company during the Financial Year 2015-16 with related parties were in the ordinary course of business and on an arm's length basis. No material related party transactions were entered during the year by your Company. Pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. None of the Non-Executive Directors has any pecuniary relationships or transactions vis-à-vis the Company.

#### **PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are provided in **Annexure VI** appended to this Report.

#### **SUBSIDIARIES**

The Company did not have any subsidiary as at March 31, 2016 or during the Financial Year ended on that date.

#### **CHANGE IN THE NATURE OF BUSINESS**

There was no change in the nature of business carried on by the Company during the year under review.

#### **PUBLIC DEPOSITS AND LOANS/ADVANCES**

The Company has not accepted deposits from the public or its employees during the year under review. There were no unclaimed Deposits or interest thereon or unpaid Dividend due for transfer to Investor Education and Protection Fund during the year under review.

The Company has not made any loans/advances in the nature of loans which are otherwise required to be disclosed in the Annual Accounts of the Company pursuant to Regulation 53(f) read with paragraph A of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There were no significant and material orders passed by the Regulators/Courts/Tribunals which would impact the going concern status and Company's operations in future.

#### **GENERAL INFORMATION**

The half yearly Financial Results of the Company are furnished to the Stock Exchanges in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are published in the Free Press Journal in English and also communicated to the Debenture holders every six months through a half yearly communique. Official news releases, including the half-yearly results, are also disseminated on the Company's website.

As prescribed under Regulation 53(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of the Debenture Trustees is given below:

Axis Trustee Services Limited  
Axis House, 2nd Floor,  
Bombay Dying Mills Compound,  
Pandurang Budhkar Marg, Worli,  
Mumbai - 400 025.

Telephone: (022) 2425 5215/16  
Fax: (022) 2425 4200  
E-mail: debenturetrustee@axistrustee.com

#### **ACKNOWLEDGEMENTS**

Your Directors take this opportunity to place on record their sincere appreciation for the support received from the National Housing Bank, Company's customers, Bankers and Shareholders during the year under

review. Your Directors also acknowledge the hard work, dedication and commitment of the employees.

**For and on behalf of the Board**

**Ramesh Iyer**  
Chairman

Registered Office:  
Mahindra Towers,  
P. K. Kurne Chowk, Worli,  
Mumbai - 400 018.

CIN: U65922MH2007PLC169791  
Tel.: 91 22 6652 3500;  
Fax: 91 22 2497 2741  
E-mail: [customercare.mrhfl@mahfin.com](mailto:customercare.mrhfl@mahfin.com)  
Website: [www.mahindrahomefinance.com](http://www.mahindrahomefinance.com)

April 15, 2016

### ANNEXURE I TO THE DIRECTORS' REPORT

#### Annual Report on Corporate Social Responsibility Activities as prescribed under section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014

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

With a vision of transforming the lives of youth from socially weaker and economically disadvantaged sections of society, the Mahindra Group is committed to 'building possibilities' to enable them to 'RISE' above their limiting circumstances. Your Company believes in the transformation of Indian villages into socially stimulating, self-sustaining, growth-oriented communities for a good quality life. To achieve this transformation, it is necessary to empower these communities in all possible aspects for a bright future. Empowering them is the key not only to the well-being of individuals, families and rural communities, but also to overall economic productivity of the Country.

The Company has duly constituted a CSR Committee in accordance with Section 135 of the Companies Act, 2013 to assist the Board and the Company in fulfilling the corporate social responsibility objectives of the Company.

As a part of its commitment to Corporate Social Responsibility, during the year your Company implemented projects for victims of Tamil Nadu Flood, Financial literacy amongst students and community. The Company also continued its support to Nanhi Kali, the flagship programme of the K.C. Mahindra Education Trust (KCMET), which supports the education of the disadvantaged girl child.

The detailed CSR Policy is hosted on the Company's website at the following link: <http://www.mahindrahomelfinance.com/csr-policy.php>.

**2. The Composition of the CSR Committee :** Mr. Ramesh Iyer (Chairman), Mr. K. Chandrasekar, Mr. V. Ravi, Mr. Anuj Mehra and Mrs. Anjali Raina.

**3. Average net profit of the Company for last three financial years:** Rs. 5,461.99 Lacs

**4. Prescribed CSR Expenditure (two per cent of the amount at item 3 above):** Rs. 109.24 Lacs

**5. Details of CSR amount spent during the Financial Year 2015-16.**

**(a) Total amount spent during the Financial Year :** Rs. 109.43 Lacs

**(b) Amount unspent, if any :** NIL

**(c) Manner in which the amount spent during the Financial Year :** As detailed below.

(Amount in Rs. Lacs)							
1	2	3	4	5	6	7	8
SR. No.	CSR Project or Activity identified	Sector in which the Project is covered (Notes)	Projects or programs (1) Local Area or other (2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) projects or programs wise	Amount spent on the project or programs (1) Direct & (2) Overhead	Cumulative expenditure upto the reporting period	Amount spent: Directly or Through Implementing Agency
1	KCMET - Donation (i) for Nanhi Kali		Mumbai (Maharashtra)	82.36	82.36	82.36	K.C. Mahindra Education Trust

(Amount in Rs. Lacs)

1	2	3	4	5	6	7	8
SR. No.	CSR Project or Activity identified	Sector in which the Project is covered (Notes)	Projects or programs (1) Local Area or other (2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) projects or programs wise	Amount spent on the project or programs (1) Direct & (2) Overhead	Cumulative expenditure upto the reporting period	Amount spent: Directly or Through Implementing Agency
2	Promoting financial literacy - among school students through distribution of financial literacy kits	(i)	Nagpur (Maharashtra)	6.07	6.07	6.07	Drishtee Foundation
3	Promoting financial literacy - among community especially women through financial literacy training	(i)	Baroda (Gujarat)	10.00	10.00	10.00	Gujarat Mahila Housing Sewa Trust
4	Flood relief	(ii)	Teynampet, Chennai (Tamil Nadu)	11.00	11.00	11.00	Bhumi

Notes:

- (i) Promoting education for girl child and financial literacy amongst children & women.  
 (ii) Eradicating hunger and poverty.

- 6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report : N.A.**
- 7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.**

For Mahindra Rural Housing Finance Limited

For and on behalf of the Corporate Social Responsibility Committee of Mahindra Rural Housing Finance Limited

**Anuj Mehra**  
 Managing Director

**Ramesh Iyer**  
 Chairman of the  
 Corporate Social Responsibility Committee

## ANNEXURE II TO THE DIRECTORS' REPORT POLICY ON REMUNERATION OF DIRECTORS

### Prelude

The Company is a housing finance company registered with the National Housing Bank, and is engaged in providing Home Loans primarily in rural areas for construction or purchase of a new property or for repairs, modernization or extension of an existing home.

This Policy shall be effective from the financial year 2014-15.

### Intent of the Policy

The intent of the Remuneration Policy of Directors of Mahindra Rural Housing Finance Limited ("the Company") is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that —

- a) 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;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) 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.

While deciding the policy on remuneration of Directors the Committee may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act,

2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors etc.

### Directors

The Managing Director is an executive of the Company and draws remuneration from the Company. The Non-Executive Chairman and Independent Directors may receive sitting fees for attending the meeting of the Board and the Committees thereof, if fixed by the Board of Directors from time to time subject to statutory provisions. The Non-Executive Chairman and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. A Non-Executive Non-Independent Director who receives remuneration from the Holding Company or a Group Company will not be paid any sitting fees or any remuneration. In addition to the above, the Directors are entitled for reimbursement of expenses incurred in discharge of their duties. Payment of Remuneration to Nominee Directors shall be governed by the agreement with the Financial Institution/Bank appointing the Nominee Director and by the Articles of Association of the Company.

The Managing Director and other eligible Director(s) as per extant statutory provisions may be granted Employees Stock Options, Stock Appreciation Rights or any other Share based Employee benefits pursuant to any scheme that may be approved by the Board of Directors and shareholders of the Company subject to such other approvals as may be required.

Non Executive Directors may be paid remuneration either by way of monthly payment or at a specified percentage of net profits of the Company or partly by one way and partly by another, subject to the provisions of the Companies Act, 2013.

The NRC while determining the remuneration shall ensure the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

### Managing Director/Executive Directors

The term of office and remuneration of Managing Director/Executive Directors are subject to the approval of the Board of Directors, shareholders, and Central Government, as may be required and the limits laid down under the Companies Act, 2013, from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director/Executive Directors in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director/Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Managing Director/Executive Directors reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director/Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director/Executive Director is designed subject to the limits laid down under the Companies Act, 2013 to remunerate them fairly and responsibly. The remuneration to the Managing Director/Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment etc., as per the Rules of the Company. Salary is paid within the range approved by the Shareholders. Increments are effective annually, as recommended/approved by the NRC/Board. In terms of the shareholders' approval, the Commission may be paid to Managing Director in any Financial Year at a rate not exceeding 1/4% (one fourth percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013 as may be recommended by the NRC and approved by the Board.

The total remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director/ Executive Director to choose the allowances

as well as the quantum based on laid down limits as per the Company policy. The flexible component can be varied only once annually.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal year to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Executive Directors are entitled to customary non-monetary benefits such as company cars, health care benefits, leave travel, communication facilities etc., as per the policies of the Company. The Managing Director and Executive Directors are entitled to grant of Stock Options as per the approved Stock Options Schemes of the Company from time to time.

### Disclosures

Information on the total remuneration of members of the Company's Board of Directors, Managing Director/Executive Directors and Key Managerial Personnel/Senior Management Personnel may be disclosed in the Board's Report as per statutory requirements laid down in this regard.

### REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

This Policy shall be effective from the financial year 2014-15.

### Objective

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

### Definition(s)

"Key Managerial Personnel" (KMP) as defined in Section 2(51) of the Companies Act, 2013 means:

- (i) the Chief Executive Officer or the Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;

- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed.

### Standard

The broad structure of compensation payable to employees is as under:

- ◆ Fixed pay which has components like basic salary & other allowances/flexi pay as per the grade where the employees can choose allowances from bouquet of options.
- ◆ Variable pay (to certain grades) in the form of annual/half yearly performance pay based on Key Result Areas agreed – as applicable.
- ◆ Incentives, either monthly or quarterly, based on targets in the lower grades.

- ◆ Retirals such as Provident Fund, Gratuity & Superannuation (for certain grades).
- ◆ Benefits such as Employee Stock Option Scheme, car scheme, medical & dental benefit, loans, insurance etc. as per grades.

### Increments

- ◆ Salary increase is given to eligible employees based on position, performance & market dynamics as decided from time to time.

**For and on behalf of the Board**

**Ramesh Iyer**  
Chairman

Place: Mumbai  
Date: April 15, 2016

**ANNEXURE III TO THE DIRECTORS' REPORT**

**Additional Information as required under Section 197(12) of the Companies Act, 2013 and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of Directors' Report for the year ended March 31, 2016.**

Name of Employee	Designation	Gross Remuneration (subject to income-tax) (Rs. in Lacs)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Designation and Organisation
Mr. Anuj Mehra	Managing Director	195.58	Bachelor in Economics P.G.D.M., I.I.M. (Ahmedabad)	32	55	March 1, 2009	Vice President - Marketing Mahindra Lifespace Developers Limited
Mr. Dharmesh Vakharia	Chief Financial Officer	79.64	Bachelor of Commerce, Chartered Accountant	17	43	August 1, 2011	Chief Manager Regional Accounts - Mahindra & Mahindra Financial Services Limited

Notes:

- Nature of employment is contractual, subject to termination on one month's notice on either side.
- Terms and conditions of employment are as per Company's Rules/contract.
- None of the employees mentioned above is related to any Director or Manager of the Company.
- No employee was in receipt of remuneration more than the remuneration drawn by a Managing Director or whole-time director or manager and holds by himself or alongwith his spouse and dependent children not less than 2% of the equity shares of the Company.
- Gross remuneration received as shown in the statement includes Salary, Bonus, House Rent Allowance or value of perquisites for accommodation, car perquisites value/allowances applicable, employer's contribution to Provident Fund, Superannuation scheme and Gratuity Fund including group insurance premium, leave travel facility, reimbursement of medical expenses and all allowances/perquisites and terminal benefits as applicable.
- Mr. Mehra has been granted stock options under the Employees' Stock Option Scheme of the Holding Company, Mahindra & Mahindra Financial Services Limited.

**For and on behalf of the Board**

**Ramesh Iyer**  
Chairman

Mumbai, April 15, 2016

**ANNEXURE IV TO THE DIRECTORS' REPORT  
SECRETARIAL AUDIT REPORT**

**[Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

**For the Financial Year ended March 31, 2016**

To,

The Members  
Mahindra Rural Housing Finance Limited  
Mahindra Towers, P. K. Kurne Chowk,  
Worli, Mumbai- 400 018.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Mahindra Rural Housing Finance Limited** (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on March 31, 2016 in a manner that provided us reasonable basis for evaluating the corporate conduct/statutory compliances and expressing our opinion thereon.

On the basis of the above and on our verification of documents, books, papers, minutes, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of the Audit, We hereby report that in our opinion, the Company has, during the period covered under the Audit as aforesaid, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 and the Rules made there under.
- (ii) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
- (iii) The Depositories Act, 1996 and the Regulations and Bye-Laws framed there under.
- (iv) The Securities Contracts (Regulation) Act, 1956 and the Rules made there under.

(v) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding Companies Act and dealing with client.

(vi) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (for the period December 1, 2015 to March 31, 2016).

(vii) The National Housing Bank Act, 1987.

(viii) The Housing Finance Companies (NHB) Directions, 2010.

(ix) The Housing Finance Companies Issuance of Non-Convertible Debentures on Private Placement basis (NHB) Directions, 2014.

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

- (i) The Secretarial Standards 1 & 2 issued by The Institute of Company Secretaries of India.
- (ii) Listing Agreement for debt securities entered into with Bombay Stock Exchange Limited in respect of privately placed non-convertible debentures issued by the Company.

Based on the information and explanation provided, the Company had no transactions during the period covered under the Audit requiring the compliance of the provisions of:

- (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- (b) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

**We further report that**

The Board of Directors of the Company is duly constituted with the proper balance of Executive Directors, Non-

Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period covered under the Audit were carried out in compliance with the provisions of the Act.

Adequate notice and detailed notes on Agenda was given to all Directors at least seven days in advance to schedule the Board Meetings. There exist a system for seeking and obtaining further information and clarifications on the Agenda items before the Meeting and for meaningful participation at the Meeting.

Majority decision is carried through and recorded as part of the minutes. We understand that there were no dissenting members' views requiring to be captured in the minutes.

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

**We further report that** during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, referred to above:

- a) During the year the Company has raised Rs. 25 Crores through issue of Non-Convertible Subordinate Debentures on a private placement basis, in the month of April, 2015.
- b) During the year the Company has raised Rs. 35 Crores through issue of Non-Convertible Subordinate

Debentures on a private placement basis, in the month of October, 2015.

- c) During the year the Company has listed privately placed Non-Convertible Subordinated Debentures at Bombay Stock Exchange Limited.
- d) Members have enabled Borrowing Powers of the Company up to a limit of Rs. 5,500 Crores over and above the aggregate of the paid-up share capital and free reserves under Section 180(1)(c) of the Companies Act, 2013 at the Eighth Annual General Meeting of the Company held on 13th Day of July, 2015.
- e) Members have also enabled the Company to issue Non-Convertible Debentures and/or other debt securities on private placement basis within the aforesaid overall borrowing powers in one or more tranches for a period of one year from 13th Day of July, 2015 at the said Annual General Meeting of the Company held on even date.
- f) During the year the Company has issued and allotted 99,92,044 Equity Shares of Rs. 10 each for cash at a premium of Rs. 30 per Equity Share on a rights basis, aggregating to Rs. 39,96,81,760/-.

**For KSR & Co Company Secretaries LLP**

**C. V. Madhusudhanan**  
**Partner**

Place: Coimbatore  
Date: 15/04/2016

FCS: 5367  
CP: 4408

KSR/CBE/M179/049/2016-17

April 15, 2016

To

The Members  
 Mahindra Rural Housing Finance Limited  
 Mahindra Towers, P.K. Kurne Chowk, Worli,  
 Mumbai - 400 018.

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

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

**For KSR & Co Company Secretaries LLP**

**C. V. Madhusudhanan**  
**Partner**

Place: Coimbatore  
 Date: 15/04/2016

FCS: 5367  
 CP: 4408

**ANNEXURE V TO THE DIRECTORS' REPORT  
FORM NO. MGT-9**

**Extract of Annual Return as on the financial year ended on March 31, 2016  
[Pursuant to Section 92(3) and Rule 12(1) of the Companies  
(Management and Administration) Rules, 2014]**

**I. REGISTRATION AND OTHER DETAILS**

i)	CIN	U65922MH2007PLC169791
ii)	Registration Date	April 9, 2007
iii)	Name of the Company	Mahindra Rural Housing Finance Limited
iv)	Category/Sub-Category of the Company	Public Limited Company
v)	Address of the Registered office and contact details	Mahindara Towers, P. K. Kurne Chowk, Worli, Mumbai - 400 018. Tel.: +91 22 6652 3500 Fax: +91 22 2497 2741 E-mail: customercare.mrhfl@mahfin.com Website: www.mahindrahomefinance.com
vi)	Whether listed company: Yes/No	Yes. As per Section 2 (52) of the Companies Act, 2013, the Company is considered as a listed Company as its Unsecured Subordinated Redeemable Non-Convertible Debentures (NCDs) are listed on the BSE Limited
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Unit: Mahindra Rural Housing Finance Limited Karvy Selenium Tower B, Plot No 31 & 32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad - 500 032 Email : einward.ris@karvy.com Tel. No.: 040 67162222 Toll Free No.: 1800-345-4001 Fax No.: 040 23001153

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

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Housing Finance	65923	100.00%

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

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
i.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai - 400 001.	L65990MH1945PLC004558	Ultimate Holding Company	87.50*	2(46)
ii.	Mahindra & Mahindra Financial Services Limited Gateway Building, Apollo Bunder, Mumbai - 400 001.	L65921MH1991PLC059642	Holding Company	87.50	2(46)

\* There is no direct shareholding in the Company by Mahindra & Mahindra Limited, the Ultimate Holding Company. Shares are held through Mahindra & Mahindra Financial Services Limited, subsidiary of Mahindra & Mahindra Limited.

**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	Demat	Physical	Total	% of total shares	

**A. PROMOTERS**
**(1) INDIAN**

a) Individual/HUF	-	-	-	-	-	-	-	-
-------------------	---	---	---	---	---	---	---	---

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	5,75,19,991	12	5,75,20,003	87.50	5,75,19,991	87,43,052*	6,62,63,043	87.50	0.00
e) Banks/Fl	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(1)</b>	<b>5,75,19,991</b>	<b>12</b>	<b>5,75,20,003</b>	<b>87.50</b>	<b>5,75,19,991</b>	<b>87,43,052*</b>	<b>6,62,63,043</b>	<b>87.50</b>	<b>0.00</b>
<b>(2) FOREIGN</b>									
a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/Fl	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholding of Promoter (A)=(A)(1)+(A)(2)</b>	<b>5,75,19,991</b>	<b>12</b>	<b>5,75,20,003</b>	<b>87.50</b>	<b>5,75,19,991</b>	<b>87,43,052*</b>	<b>6,62,63,043</b>	<b>87.50</b>	<b>0.00</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>1. INSTITUTIONS</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/Fl	82,17,134	-	82,17,134	12.50	82,17,134	12,49,004#	94,66,138	12.50	0.00
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others - Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1)</b>	<b>82,17,134</b>	<b>-</b>	<b>82,17,134</b>	<b>12.50</b>	<b>82,17,134</b>	<b>12,49,004#</b>	<b>94,66,138</b>	<b>12.50</b>	<b>0.00</b>
<b>2. NON-INSTITUTIONS</b>									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 Lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>82,17,134</b>	<b>-</b>	<b>82,17,134</b>	<b>12.50</b>	<b>82,17,134</b>	<b>12,49,004#</b>	<b>94,66,138</b>	<b>12.50</b>	<b>0.00</b>
<b>C. SHARES HELD BY CUSTODIAN FOR GDRS &amp; ADRS</b>									
<b>Grand Total (A+B+C)</b>	<b>6,57,37,125</b>	<b>12</b>	<b>6,57,37,137</b>	<b>100.00</b>	<b>6,57,37,125</b>	<b>99,92,056</b>	<b>7,57,29,181</b>	<b>100.00</b>	<b>0.00</b>

\* Out of 87,43,052 Shares 87,43,040 Shares will be transferred to the Demat Account.

# 12,49,004 Shares will be transferred to the Demat Account.

**(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 shareholding 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.	Mahindra & Mahindra Financial Services Limited.	5,75,19,991	87.50	Nil	6,62,63,031	87.50	Nil	0.00
2.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Ramesh Iyer.	2	0.00	Nil	2	0.00	Nil	0.00
3.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Bharat Doshi.	2	0.00	Nil	Nil	0.00	Nil	0.00
4.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Venkatraman Ravi.	2	0.00	Nil	2	0.00	Nil	0.00
5.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Ravi Kulkarni.	2	0.00	Nil	2	0.00	Nil	0.00
6.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Zhooben Bhiwandiwala.	2	0.00	Nil	Nil	0.00	Nil	0.00
7.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Anuj Mehra.	2	0.00	Nil	2	0.00	Nil	0.00
8.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Rajesh Vasudevan.	Nil	0.00	Nil	2	0.00	Nil	0.00
9.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Dinesh Prajapati.	Nil	0.00	Nil	2	0.00	Nil	0.00
<b>TOTAL</b>		<b>5,75,20,003</b>	<b>87.50</b>	<b>Nil</b>	<b>6,62,63,043</b>	<b>87.50</b>	<b>Nil</b>	<b>0.00</b>

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

Particulars	Shareholding at the beginning of the year (As at April 1, 2015)		Cumulative Shareholding during the year (from April 1, 2015 to March 31, 2016)	
	No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
Mahindra & Mahindra Financial Services Limited alongwith joint holders				
At the beginning of the year	5,75,20,003	87.50	5,75,20,003	87.50
Datewise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	On March 30, 2016, 87,43,040 Equity Shares of Rs. 10 each at a premium of Rs. 30 per share were allotted on a Rights basis to Mahindra & Mahindra Financial Services Limited. Increase in shareholding of Promoters is on account of allotment of Equity Shares on a Rights basis, as mentioned above.			
At the end of the year (as at March 31, 2016)	6,62,63,043	87.50	6,62,63,043	87.50

Note: There was transfer of Two Equity Shares each from Mahindra & Mahindra Financial Services Limited ("MMFSL") jointly with Mr. Bharat Doshi to MMFSL jointly with Mr. Rajesh Vasudevan and MMFSL jointly with Mr. Zhooben Bhiwandiwala to MMFSL jointly with Mr. Dinesh Prajapati. However, there was no change in the beneficial ownership of these Shares.

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

For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (as at April 1, 2015)		Cumulative Shareholding during the year (from April 1, 2015 to March 31, 2016)	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
National Housing Bank				
At the beginning of the year (as at April 1, 2015)	82,17,134	12.50	82,17,134	12.50
Date wise increase/decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc.)	On March 30, 2016, 12,49,004 Equity Shares of Rs. 10 each at a premium of Rs. 30 per share were allotted on a Rights basis to National Housing Bank. Increase in shareholding of National Housing Bank is on account of allotment of Equity Shares on a Rights basis, as mentioned above.			
At the end of the year (As at March 31, 2016)	82,17,134	12.50	94,66,138	12.50

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

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year (As at April 1, 2015)		Cumulative Shareholding during the year (from April 1, 2015 to March 31, 2016)	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1.	Mr. Ramesh Iyer - Chairman (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (as at April 1, 2015)	2	0.00	2	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)	No change			
	At the end of the year (as at March 31, 2016)	2	0.00	2	0.00

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year (As at April 1, 2015)		Cumulative Shareholding during the year (from April 1, 2015 to March 31, 2016)	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
2.	Mr. Uday Y. Phadke - Director (Ceased to be the Director with effect from July 13, 2015)				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00
3.	Mr. V. Ravi - Director (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (as at April 1, 2015)	2	0.00	2	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	2	0.00	2	0.00
4.	Mr. K. Chandrasekar - Director				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00
5.	Mr. K. Chakravarthy - Director (Nominee of National Housing Bank)				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00
6.	Mr. Nityanath Ghanekar - Director				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year (As at April 1, 2015)		Cumulative Shareholding during the year (from April 1, 2015 to March 31, 2016)	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
7.	Mrs. Anjali Raina - Director				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00
8.	Mr. Anuj Mehra - Managing Director, Key Managerial Personnel (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (as at April 1, 2015)	2	0.00	2	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	2	0.00	2	0.00
9.	Mr. Narendra Mairpady - Director (Appointed as an Independent Director with effect from August 13, 2015)				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00
10.	Mr. Dharmesh Vakharia - Chief Financial Officer, Key Managerial Personnel				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year (As at April 1, 2015)		Cumulative Shareholding during the year (from April 1, 2015 to March 31, 2016)	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
11.	Ms. Harshada Pathak - Company Secretary (Ceased to be the Company Secretary with effect from October 14, 2015)				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00
12.	Ms. Arnavaz M. Pardiwalla - Company Secretary (Appointed as the Company Secretary with effect from March 11, 2016)				
	At the beginning of the year (as at April 1, 2015)	Nil	0.00	Nil	0.00
	Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)		No change		
	At the end of the year (as at March 31, 2016)	Nil	0.00	Nil	0.00

## V. INDEBTEDNESS –

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

(Rs. in Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>INDEBTEDNESS AT THE BEGINNING OF THE FINANCIAL YEAR</b>				
i) Principal Amount	1,61,160.63	9,806.50	Nil	1,70,967.13
ii) Interest due but not paid	NIL	NIL	Nil	NIL
iii) Interest accrued but not due	1,109.00	255.63	Nil	1,364.63
<b>Total (i+ii+iii)</b>	<b>1,62,269.63</b>	<b>10,062.13</b>	<b>Nil</b>	<b>1,72,331.76</b>
<b>CHANGE IN INDEBTEDNESS DURING THE FINANCIAL YEAR</b>				
♦ Addition	2,07,268.66	1,45,433.55	Nil	3,52,702.21
♦ Reduction	1,37,558.83	1,18,830.63	Nil	2,56,389.46
<b>Net Change</b>	<b>69,709.83</b>	<b>26,602.92</b>	<b>Nil</b>	<b>96,312.75</b>
<b>INDEBTEDNESS AT THE END OF THE FINANCIAL YEAR</b>				
i) Principal Amount	2,31,056.01	35,611.50	Nil	2,66,667.51
ii) Interest due but not paid	NIL	NIL	Nil	NIL
iii) Interest accrued but not due	923.45	1,053.55	Nil	1,977.00
<b>Total (i+ii+iii)</b>	<b>2,31,979.46</b>	<b>36,665.05</b>	<b>Nil</b>	<b>2,68,644.51</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Rs. in Lacs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager
		<b>Mr. Anuj Mehra, Managing Director</b>
1.	Gross Salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	116.00
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	79.43*
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	Nil
2.	Stock Option	Nil
3.	Sweat Equity	Nil
4.	Commission – as % of profit – others	Nil Nil
5.	Others (medical reimbursement)	0.15
	<b>Total (A)</b>	<b>195.58</b>
	Ceiling as per the Act	5% of the Net Profits equivalent to Rs. 670.24 Lacs with respect to the ceiling for the Company applicable for the financial year covered by this Report

\* includes perquisite value of Stock options granted by Mahindra &amp; Mahindra Financial Services Limited (Holding Company).

**B. Remuneration to other Directors**

(Rs. in Lacs)

Sl. No.	Particulars of Remuneration	Names of Directors					Total Amount	
		Mr. Nityanath Ghanekar	Mrs. Anjali Raina	Mr. Narendra Mairpady				
<b>1.</b>	<b>Independent Directors</b>							
	Fee for attending Board/Committee Meetings	2.80	2.90	1.40		7.10		
	Commission	5.00	5.00	3.33		13.33		
	Other	Nil	Nil	Nil		Nil		
	<b>Total (1)</b>	<b>7.80</b>	<b>7.90</b>	<b>4.73</b>		<b>20.43</b>		
		Mr. Ramesh Iyer	Mr. K. Chandrasekar	Mr. K. Chakravarthy	Mr. Uday Phadke	Mr. V. Ravi	Total Amount	
<b>2.</b>	<b>Other Non-Executive Directors</b>							
	Fee for attending Board/Committee Meetings	Nil	Nil	Nil	Nil	Nil	Nil	
	Commission	Nil	Nil	Nil	Nil	Nil	Nil	
	Others	Nil	Nil	Nil	Nil	Nil	Nil	
	<b>Total (2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	
	<b>Total (B)=(1+2)</b>						<b>20.43</b>	
	Overall Ceiling as per the Act (%)	1% of the Net Profits equivalent to Rs. 134.05 Lacs with respect to the ceiling for the Company applicable for the financial year covered by this Report.						
	<b>Total Managerial Remuneration (A+B)</b>						<b>216.01</b>	

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

(Rs. in Lacs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		Chief Financial Officer (Mr. Dharmesh Vakharia)	Company Secretary@ (Ms. Harshada Pathak)(1)	Company Secretary@ (Ms. Arnavaz M. Pardiwalla) (2)	
1.	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	64.64	5.91	Nil	70.55
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	14.85*	Nil	Nil	14.85*
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	Nil	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil	Nil
4.	Commission	Nil	Nil	Nil	Nil
	- as % of profit				
	- others	Nil	Nil	Nil	Nil
5.	Others (medical reimbursement)	0.15	Nil	Nil	0.15
	<b>Total</b>	<b>79.64</b>	<b>5.91</b>	<b>Nil</b>	<b>85.55</b>

\* includes perquisite value of Stock options granted by Mahindra & Mahindra Financial Services Limited (Holding Company).

@ secretarial function covered under cost sharing agreement.

(1) For part of the year. Ceased to be the Company Secretary with effect from October 14, 2015.

(2) Ms. Arnavaz M. Pardiwalla was appointed as the Company Secretary with effect from March 11, 2016. She is also the Company Secretary & Compliance Officer of Mahindra & Mahindra Financial Services Limited (MMFSL), the holding company and her entire remuneration is borne by MMFSL.

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

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority [RD/NCLT/COURT]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			None		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board

**Ramesh Iyer**  
Chairman

Mumbai, April 15, 2016

## ANNEXURE VI TO THE DIRECTORS' REPORT

The particulars in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Sub-Section (3) (m) of Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014.

### A. CONSERVATION OF ENERGY

**(i) The steps taken or impact on conservation of energy:**

The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption.

**(ii) The steps taken by the Company for utilizing alternate sources of energy:** The operations of your Company are not energy intensive.

**(iii) The capital investment on energy conservation equipments:** Nil

### B. TECHNOLOGY ABSORPTION

**(i) The efforts made towards technology absorption :** Not Applicable.

**(ii) The benefits derived like product improvement, cost reduction, product development or import substitution:** Not Applicable.

**(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year):** Not Applicable.

(a) Details of Technology Imported

(b) Year of Import

(c) Whether the Technology been fully absorbed

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof

**(iv) Your Company has not incurred any expenditure on Research and Development during the year under review.**

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on Foreign Exchange Outgo is furnished in the Notes to Accounts. There were no Foreign Exchange Earnings during the year under review.

**For and on behalf of the Board**

**Ramesh Iyer**  
Chairman

Mumbai, April 15, 2016

# Independent Auditor's Report

To the Members of  
**Mahindra Rural Housing Finance Limited**

## REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of Mahindra Rural Housing Finance Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the year then ended, and a summary of the significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. 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 the 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. 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.

5. We conducted our audit in accordance with the Standards on Auditing 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.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 the 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.

7. 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

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

10. 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, the Statement of Profit and Loss and Cash Flow 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 (as amended);
- e. on the basis of written representations received from the directors as at March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
- f. with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.
- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 14 to the financial statements.
  - ii. The Company does not have any long-term contracts including derivative contracts for which there are any material foreseeable losses that need provision.
  - iii. During the year, there were no amounts which were required to be transferred by the Company to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 15, 2016

# Annexure I to the Auditor's Report

Referred to in paragraph 9 of our report of even date on the financial statements of **Mahindra Rural Housing Finance Limited** for the year ended March 31, 2016

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a programme of phased verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed in respect of assets verified during the year.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- II. The Company is in the business of providing housing finance and consequently, does not hold any inventory. Hence, para 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- III. There are no companies, firms or other parties covered in the register maintained under section 189 of Companies Act, 2013. Therefore, para 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and Section 186. Therefore, para 3(iv) of the Order is not applicable to the company.
- V. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified. Therefore, para 3(v) of the Order is not applicable to the company.
- VI. The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- VII. (a) According to the records of the Company and information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, service tax, duty of customs, value added tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Service Tax, duty of customs and Value Added Tax and other material statutory dues that were outstanding, at the year-end for a period of more than six months from the date they became payable.
- (c) except for the following cases, there are no disputed dues of income tax or service tax or duty of customs or value added tax which have not been deposited with the relevant authority.

Name of Statute	Nature of dues	Amt in ₹	Period to which amount relates	Forum where pending
Income Tax Act, 1961	Income Tax	37,75,670	A.Y. 2012-13	CIT(A)
Income Tax Act, 1961	Income Tax	5,41,775	A.Y. 2013-14	Appeal being filed before CIT(A)

- VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not defaulted in repayment of any dues from financial institution or bank or debenture holders as on the Balance Sheet date.
- IX. In our opinion and according to the information and explanations given to us, during the year, the term loans were applied for the purposes for which they were obtained. During the year, there were no moneys raised by way of initial public offer or further public offer.
- X. Except for 28 cases of frauds aggregating Rs. 60.16 Lacs which were noticed by the management and informed to us, we have neither come across any instances of fraud by the Company or any fraud

on the Company by its officers or employees have been noticed nor have been reported during the year.

- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- XII. The Company is not a 'Nidhi Company', therefore, para 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under
- audit, therefore, para 3(xiv) of the Order is not applicable to the company.
- XV. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- XVI. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 15, 2016

# Annexure II to the Independent Auditor's Report

Of even date on the financial statements of Mahindra Rural Housing 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")

We have audited the internal financial controls over financial reporting of Mahindra Rural Housing Finance Limited ("the Company") as of March 31, 2016 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 operate 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.

### AUDITORS' 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, issued by ICAI and deemed to be prescribed 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 Company's internal financial controls system over financial reporting.

### MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial

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

#### **OPINION**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over

financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Naresh Kumar Kataria**  
Partner  
Membership Number: 037825

Place : Mumbai  
Date : April 15, 2016

# Balance Sheet

As at March 31, 2016

(Rs. in Lacs)

Particulars	Note No.	As at March 31	
		2016	2015
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	1	7,572.92	6,573.71
b) Reserves and Surplus	2	20,003.78	10,742.14
		<b>27,576.70</b>	<b>17,315.85</b>
<b>2) Non-Current Liabilities</b>			
a) Long Term Borrowings	3	2,04,106.47	1,49,705.07
b) Long Term Provisions	4	3,491.23	1,935.23
		<b>2,07,597.70</b>	<b>1,51,640.30</b>
<b>3) Current Liabilities</b>			
a) Short Term Borrowings	5	36,649.45	4,124.23
b) Trade Payables	6		
i) Micro & Small Enterprises		-	-
ii) Other Trade Payables		3,098.68	2,050.32
c) Other Current Liabilities	7	50,000.06	32,997.27
d) Short Term Provisions	8	5,201.38	3,814.43
		<b>94,949.57</b>	<b>42,986.25</b>
<b>TOTAL</b>		<b>3,30,123.97</b>	<b>2,11,942.40</b>
<b>II. ASSETS</b>			
<b>1) Non-Current Assets</b>			
a) Fixed Assets	9		
i) Tangible Assets		1,046.06	690.87
b) Deferred Tax Assets (Net)	10	583.89	95.60
c) Long Term Loans and Advances	11	2,47,715.80	1,58,217.57
		<b>2,49,345.75</b>	<b>1,59,004.04</b>
<b>2) Current Assets</b>			
a) Cash and Cash Equivalents	12	1,127.21	990.24
b) Short Term Loans and Advances	13	79,651.01	51,948.12
		<b>80,778.22</b>	<b>52,938.36</b>
<b>TOTAL</b>		<b>3,30,123.97</b>	<b>2,11,942.40</b>
Summary of significant accounting policies and notes to the financial statements	I & II	-	-

The notes referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred in our report of even date.

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN : 105102W

**Ramesh Iyer**  
Chairman

**Nityanath Ghanekar**  
Director

**Anjali Raina**  
Director

**V. Ravi**  
Director

**Naresh Kumar Kataria**  
Partner  
Membership No.037825

**K. Chakravarthy**  
Director

**K. Chandrasekar**  
Director

**M. Narendra**  
Director

**Anuj Mehra**  
Managing Director

Place : Mumbai  
Date : April 15, 2016

**Arnavaz Pardiwala**  
Company Secretary

**Dharmesh Vakharia**  
Chief Financial Officer

# Statement of Profit and Loss

for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	Note No.	Year ended March 31	
		2016	2015
I. Revenue from Operations	15	49,536.90	32,830.44
II. Other Income	16	7.83	14.03
<b>III. Total Revenue (I + II)</b>		<b>49,544.73</b>	<b>32,844.47</b>
<b>IV. Expenses:</b>			
Employee Benefits Expense	17	9,218.31	6,528.93
Finance Costs	18	21,332.05	14,112.07
Depreciation and Amortization Expense	19	343.34	275.01
Loan Provisions and Write Offs	20	3,873.47	1,829.51
Other Expenses	21	5,107.92	3,367.15
<b>Total Expenses</b>		<b>39,875.09</b>	<b>26,112.67</b>
<b>V. Profit Before Tax (III - IV)</b>		<b>9,669.64</b>	<b>6,731.80</b>
<b>VI. Tax expense:</b>			
(1) Current Tax		3,818.00	2,394.00
(2) Deferred Tax		(488.29)	(138.26)
(3) Short Provision for Income Tax - earlier years		71.90	58.72
		<b>3,401.61</b>	<b>2,314.46</b>
<b>VII. Profit / (Loss) for the year (V - VI)</b>		<b>6,268.03</b>	<b>4,417.34</b>
<b>VIII. Earnings per Equity Share (Rupees) :</b>			
(Face value - Rs. 10/- per share)			
(1) Basic		9.53	7.15
(2) Diluted		9.53	7.15
<b>Summary of significant accounting policies and notes to the financial statements</b>	I & II		

The notes referred to above form an integral part of the Statement of Profit & Loss.

This is the Statement of Profit & Loss referred in our report of even date.

For **B. K. Khare and Co.**

Chartered Accountants

FRN :105102W

**Ramesh Iyer**

Chairman

**Nityanath Ghanekar**

Director

**Anjali Raina**

Director

**V. Ravi**

Director

**Naresh Kumar Kataria**

Partner

Membership No.037825

**K. Chakravarthy**

Director

**K. Chandrasekar**

Director

**M. Narendra**

Director

**Anuj Mehra**

Managing Director

Place : Mumbai

Date : April 15, 2016

**Arnavaz Pardiwala**

Company Secretary

**Dharmesh Vakharia**

Chief Financial Officer

# Cash Flow Statement

for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	Year ended March 31	
	2016	2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies and exceptional items	<b>9,669.64</b>	<b>6,731.80</b>
<b>Add/(Less) : Adjustment For</b>		
Depreciation and amortisation expenses	343.34	275.01
Loss/ (profit) on sale of fixed assets	4.13	5.48
Provision for Non Performing Assets	3,112.64	1,379.41
General Provision for Standard Assets	422.75	273.83
<b>Operating profit before working capital changes</b>	<b>13,552.50</b>	<b>8,665.53</b>
Less: (Increase) / decrease in loans and advances	(1,17,127.48)	(74,420.48)
Add : Increase in current liabilities	9,786.92	5,293.93
Cash generated from / (used in) operations	<b>(93,788.06)</b>	<b>(60,461.02)</b>
Advance taxes paid	(3,963.31)	(2,299.52)
<b>Net Cash Generated from/ (Used In) Operating Activities (A)</b>	<b>(97,751.37)</b>	<b>(62,760.54)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets / Software	(785.05)	(303.49)
Sale of fixed assets	8.76	12.67
<b>Net Cash Generated from/ (Used In) Investing Activities (B)</b>	<b>(776.29)</b>	<b>(290.82)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares (net of issue expenses)	3,992.82	2,502.86
Proceeds from long-term borrowings	80,700.00	1,39,157.00
Repayment of long-term borrowings	(17,524.83)	(79,053.55)
Increase / (Decrease) in short-term borrowings (net)	32,525.21	1,499.23
Dividend paid on equity shares	(854.58)	(612.98)
Tax on equity dividend paid	(173.99)	(104.18)
<b>Net Cash Generated from/ (Used In) Financing Activities (C)</b>	<b>98,664.63</b>	<b>63,388.39</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>136.97</b>	<b>337.03</b>
Cash and cash equivalents at the beginning of the year	990.24	653.21
<b>Cash and cash equivalents at the end of the year</b>	<b>1,127.21</b>	<b>990.24</b>
<b>(Refer Note no. 12)</b>		

**Note : The above Cash Flow Statement has been prepared under the 'Indirect method' as set out in Accounting Standard-3 'Cash Flow Statement'**

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN : 105102W

**Ramesh Iyer**  
Chairman

**Nityanath Ghanekar**  
Director

**Anjali Raina**  
Director

**V. Ravi**  
Director

**Naresh Kumar Kataria**  
Partner  
Membership No.037825

**K. Chakravarthy**  
Director

**K. Chandrasekar**  
Director

**M. Narendra**  
Director

**Anuj Mehra**  
Managing Director

Place : Mumbai  
Date : April 15, 2016

**Arnavaz Pardiwala**  
Company Secretary

**Dharmesh Vakharia**  
Chief Financial Officer

# Significant Accounting Policies And Notes

to the financial statements for the year ended March 31, 2016

## NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### 1.1 Basis for preparation of financial statements

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended).

All assets and liabilities have been classified as current and non – current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – noncurrent classification of assets and liabilities.

Further, the Company follows prudential norms for Income Recognition, Assets classification and provisioning for Non-performing Assets as well as contingency provision for Standard Assets as prescribed by The National Housing Bank for Housing Finance Companies.

### 1.2 Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as on the date of financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

### 1.3 Revenue Recognition

#### a. General:

Revenue is recognised when it is reasonably certain that it is measurable and further that it would not be unreasonable to expect its ultimate collection

### b. Income from Loans:

- i. Interest Income from loan transactions is accounted for by applying the interest rate implicit in such contracts.
- ii. Service charges, documentation charges and other fees on loan transactions are recognised at the commencement of the contract.
- iii. Delayed payment charges and fee based income are recognised when they become measurable and when it is not unreasonable to expect their ultimate collection.
- iv. Income on business assets classified as Non-performing Assets, is recognised strictly in accordance with the guidelines issued by The National Housing Bank for Housing Finance Companies. Unrealized interest recognized as income in the previous period is reversed in the month in which the asset is classified as Non-performing.

### c. Income From Investments:

- i. Dividend from investments is accounted for as income when the right to receive dividend is established.
- ii. Interest income is accounted on accrual basis.

### 1.4 Fixed Assets, Depreciation and Amortization

#### a. Tangible Assets:

Tangible assets are stated at cost of acquisition (including incidental expenses), less accumulated depreciation. Assets held for sale or disposals are stated at the lower of their net book value and net realizable value.

#### b. Depreciation on Tangible Assets

Depreciation on fixed assets is charged on the basis of the useful life of the assets as specified in Schedule II to The Companies Act, 2013 except for:

- i. Vehicles used by employees are depreciated over the maximum period of 48 months based on the useful life of vehicle for the Company.
- ii. Assets costing less than Rs.5000/- are fully depreciated in the period of purchase.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 1.5 Foreign exchange transactions and translations:

### a. Initial recognition:

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

### b. Conversion:

- i. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of profit and loss.
- ii. Non-monetary items, which are measured in terms of historical Cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

### c. Exchange differences:

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

- i. Realized gains and losses on settlement of foreign currency transactions are recognised in the Statement of profit and loss.
- ii. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognised in the Statement of profit and loss.

## 1.6 Investments

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any. Investments other than long-term investments are classified as current investments and valued at cost or fair value whichever is less.

Provision for diminution in value of investments is made if management perceives that there is permanent diminution in value of investments or in accordance with the norms prescribed by

National Housing Bank and Accounting Standard on 'Accounting for Investments' (AS 13) notified by Companies (Accounting Standards) Rules, 2006.

## 1.7 Loan Against Assets

Loan against assets are stated at agreement value net of installments received less unmatured finance charges.

## 1.8 Share Issue Expenses

Expenses incurred in connection with fresh issue of share capital are adjusted against Securities premium reserve in the year in which they are incurred.

## 1.9 Lease

Lease rentals in respect of assets taken on operating lease arrangements are recognized as per the terms of the lease.

## 1.10 Earnings per Share

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

## 1.11 Current and Deferred Tax

Tax expense for the period, comprising current tax and deferred tax, are included in the determination of the net profit or loss for the period. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods is

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

accounted for using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

## 1.12 Employee Benefits

### a. Contribution to provident fund

Company's contribution paid/payable during the year to provident fund and labour welfare fund are recognised in the Statement of profit and loss.

### b. 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.

### c. Superannuation

The Company makes contribution to the Superannuation scheme, a defined contribution scheme, administered by Life Insurance Corporation of India, which are charged to the Statement of profit and loss. The Company has no obligation to the scheme beyond its monthly contributions.

### d. Leave encashment / compensated absences / sick leave

The Company provides for the encashment / availment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

## 1.13 Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to the Statement of profit and loss. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortized over the tenure of the respective borrowings.

## 1.14 Impairment of Assets

The carrying value of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor.

## 1.15 Provisions for Non Performing Assets (NPA)

Housing loans are classified into "Performing" and "Non Performing" assets in terms of guidelines laid down by the National Housing Bank. The provisioning policy of the Company covers the minimum provisioning required as per the NHB guidelines.

## 1.16 Provision and Contingent Liabilities

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 1 SHARE CAPITAL</b>		
<b>Authorised Capital :</b>		
10,00,00,000 Equity shares of Rs.10/- each	10,000.00	10,000.00
<b>Issued Capital :</b>		
7,57,29,181 Equity shares of Rs.10/- each (Previous year 6,57,37,137 Equity shares of Rs.10/- each fully paid up)	7,572.92	6,573.71
<b>Subscribed and Paid-up Capital :</b>		
7,57,29,181 Equity shares of Rs.10/- each fully paid up (Previous year 6,57,37,137 Equity shares of Rs.10/- each fully paid up)	7,572.92	6,573.71
<b>Total</b>	<b>7,572.92</b>	<b>6,573.71</b>

## Other quantitative information :

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>a) Reconciliation of Number of Equity Shares :</b>		
Balance at the beginning of the year	6,57,37,137	6,57,37,137
Issue of Rights Shares	99,92,044	-
Balance at the end of the year	<b>7,57,29,181</b>	<b>6,57,37,137</b>
<b>b) Reconciliation of Equity Shares - in Value</b>		
Balance at the beginning of the year	6,573.71	5,572.57
Add : Issue of Right Shares (Equity Share 99,92,044 @ Rs. 10/- Each) (Previous year call made for partly paid up shares Rs. 5/- per Share - 2,00,22,857 Equity Shares)	999.21	1,001.14
Balance at the end of the year	<b>7,572.92</b>	<b>6,573.71</b>
<b>c) Number of Equity Shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates -</b>		
Holding Company: Mahindra & Mahindra Financial Services Limited (including 6 shares held jointly with nominees)	6,62,63,043	5,75,20,003
Percentage of Holding (%)	87.50%	87.50%
<b>d) Shareholders Holding more than 5 % Shares :</b>		
Mahindra & Mahindra Financial Services Limited	6,62,63,043	5,75,20,003
Percentage of holding (%)	87.50%	87.50%
National Housing Bank	94,66,138	82,17,134
Percentage of holding (%)	12.50%	12.50%

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 2 RESERVES AND SURPLUS</b>		
<b>Securities Premium Reserve:</b>		
Balance as at the beginning of the year	2,998.42	1,496.71
Add : Received during the year on account of fully paid up shares	2,997.61	1,501.71
Less : Deduction during the year in respect of shares issue expenses	4.00	-
<b>Net balance as at the end of the year</b>	<b>5,992.03</b>	<b>2,998.42</b>
<b>Statutory Reserve :</b>		
(As per Section 29C of the National Housing Bank Act, 1987) {refer note no 22}		
Balance as at the beginning of the year	3,554.93	2,079.93
Add : Transfer from surplus in the Statement of Profit and Loss	2,325.00	1,475.00
<b>Balances as at the end of the year</b>	<b>5,879.93</b>	<b>3,554.93</b>
<b>General Reserve :</b>		
Balance as at the beginning of the year	290.00	68.00
Add : Transfer from surplus in the Statement of Profit and Loss	-	222.00
<b>Balances as at the end of the year</b>	<b>290.00</b>	<b>290.00</b>
<b>Surplus in Statement of Profit and Loss :</b>		
Balance as at the beginning of the year	3,898.79	2,934.78
Add : Profit for the current period transferred from Statement of Profit and Loss	6,268.03	4,417.34
	<b>10,166.82</b>	<b>7,352.12</b>
<b>Less : Appropriations :</b>		
General Reserve	-	222.00
Special Reserve	2,300.00	1,450.00
Additional Special Reserve	25.00	25.00
Proposed Dividend On Equity Shares (refer note 2.18)	-	854.58
Corporate Dividend Tax on Equity Shares (refer note 2.18)	-	173.99
Additional depreciation charged due to change in useful life (refer note 2.7)	-	21.68
Deferred Tax Liability on Special Reserve ( refer note 2.6 )	-	706.08
	<b>2,325.00</b>	<b>3,453.33</b>
<b>Balances as at the end of the year</b>	<b>7,841.82</b>	<b>3,898.79</b>
<b>Total</b>	<b>20,003.78</b>	<b>10,742.14</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 3 LONG TERM BORROWINGS</b>		
<b>a) Secured -</b>		
Term Loans :		
- from banks {refer note no 23 (i)}	1,80,220.47	1,20,666.08
- from National Housing Bank {refer note no 23 (ii)}	15,186.00	21,682.49
<b>Total</b>	<b>1,95,406.47</b>	<b>1,42,348.57</b>
<b>b) Unsecured -</b>		
Unsecured bonds (Subordinate Debt ) {refer note no 24 (i)}	6,700.00	700.00
Loans and Advances from related parties (ICDs) {refer note no 24 (ii)}	2,000.00	6,656.50
<b>Total</b>	<b>8,700.00</b>	<b>7,356.50</b>
<b>Total (a+b)</b>	<b>2,04,106.47</b>	<b>1,49,705.07</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 4 LONG TERM PROVISIONS</b>		
Provision for employee benefits {refer note no 2.13}	98.93	71.41
Provision for Non performing assets {refer note no 2.2}	2,448.91	1,255.03
Contingent provision for Standard assets {refer note no 2.2}	943.39	608.79
<b>Total</b>	<b>3,491.23</b>	<b>1,935.23</b>

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 5 SHORT TERM BORROWINGS</b>		
<b>a) Secured -</b>		
Loans from banks {refer note no 25}	13,300.00	2,900.00
Cash Credit facilities with banks {refer note no 25}	1,094.45	649.23
<b>Total</b>	<b>14,394.45</b>	<b>3,549.23</b>
<b>b) Unsecured -</b>		
Loans and Advances from related parties (ICDs) {refer note no 24 (ii)}	2,255.00	575.00
Commercial paper (CPs) {refer note no 26}	20,000.00	-
<b>Total</b>	<b>22,255.00</b>	<b>575.00</b>
<b>Total (a+b)</b>	<b>36,649.45</b>	<b>4,124.23</b>

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 6 TRADE PAYABLES</b>		
<b>a) Finance</b>		
Outstanding dues of Micro Enterprises and Small Enterprises	-	-
Other Outstanding dues	1,712.91	1,111.21
<b>b) Expenses and Others</b>		
Outstanding dues of Micro Enterprises and Small Enterprises	-	-
Other Outstanding dues	1,385.77	939.11
<b>Total</b>	<b>3,098.68</b>	<b>2,050.32</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 7 OTHER CURRENT LIABILITIES</b>		
<b>Current Maturities of Long Term Debt</b>		
<b>a) Secured -</b>		
Term Loans :		
- From banks {refer note no 23 (i)}	15,145.61	8,223.39
- From National Housing Bank {refer note no 23 (ii)}	6,109.49	7,039.44
	<b>21,255.10</b>	<b>15,262.83</b>
<b>b) Unsecured -</b>		
Loans and Advances from related parties (ICDs) {refer note no 24 (ii)}	4,656.50	1,875.00
	<b>4,656.50</b>	<b>1,875.00</b>
Interest Accrued but not due on Borrowings	1,977.00	1,364.63
Credit balances in Current Accounts with banks as per books	21,884.83	14,338.03
Statutory & Other Liabilities	226.63	156.78
<b>Total</b>	<b>50,000.06</b>	<b>32,997.27</b>

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 8 SHORT-TERM PROVISIONS</b>		
Provision for Employee Benefits {refer note no 2.13}	1,338.15	856.14
<b>Others</b>		
Provision for Non Performing Assets {refer note no 2.2}	3,450.11	1,531.35
Contingent Provisions against Standard Assets {refer note no 2.2}	271.01	182.86
Proposed Dividend on equity shares {refer note no. 2.18}	-	854.58
Corporate Dividend Tax {refer note no. 2.18}	-	173.99
Provision for Taxation (net of taxes paid)	142.11	215.51
<b>Total</b>	<b>5,201.38</b>	<b>3,814.43</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Asset Description	GROSS BLOCK AT COST			DEPRECIATION & AMORTISATION			NET BLOCK		
	As at April 1, 2015	Additions	Deductions / adjustments	As at April 1, 2015	Transitional Depreciation#	Additions	Deductions / adjustments	As at April 1, 2015	As at March 31, 2016
<b>i) Tangible Assets :</b>									
Buildings	-	23.12	-	23.12	-	0.13	-	-	0.13
Computers	331.34	205.24	-	536.58	202.14	112.91	0.77	314.28	129.20
Furniture and Fixtures	148.83	96.66	1.93	243.56	69.66	52.66	1.80	120.52	79.17
Vehicles	297.20	121.74	16.50	402.44	109.41	53.77	7.34	155.84	187.79
Office Equipment	471.06	264.66	11.69	724.03	176.35	123.87	7.32	292.90	294.71
<b>Total</b>	<b>1,248.43</b>	<b>711.42</b>	<b>30.12</b>	<b>1,929.73</b>	<b>557.56</b>	<b>343.34</b>	<b>17.23</b>	<b>883.67</b>	<b>690.87</b>
	1,035.14	283.49	70.20	1,248.43	312.91	21.68	52.04	557.56	722.23

Previous year figures are in italics.

# represents transitional depreciation charge adjusted in opening balance of surplus in statement of profit and loss on re-computation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 in respect of carrying amount of assets where remaining useful life of an asset is nil (refer note no.2.7)

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 10 DEFERRED TAX ASSETS (NET)</b>		
<b>a) Deferred tax assets</b>		
Provision for Non Performing Assets	2,060.77	964.31
Provision on Standard Assets	422.89	273.97
Difference between written down value of books of account and Income Tax Act, 1961	56.61	26.66
Other Disallowances	49.70	37.47
(a)	<b>2,589.97</b>	<b>1,302.41</b>
<b>b) Deferred tax liabilities</b>		
Special Reserve	2,006.08	1,206.81
(b)	<b>2,006.08</b>	<b>1,206.81</b>
<b>Deferred Tax Assets (Net)</b>	<b>583.89</b>	<b>95.60</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 11 LONG TERM LOANS AND ADVANCES</b>		
<b>Unsecured, Considered good unless otherwise stated :</b>		
Capital Advances	94.19	20.56
Deposits for Office Premises / Others	105.52	75.69
Other Loans and Advances		
- Employee Loans & Advances	12.17	7.03
- Prepaid Expenses	33.90	6.08
<b>Loans against Assets - Housing Loans (Secured)</b>		
- Loans against Assets - Housing Loans (Secured - Considered good)	2,35,536.20	1,51,932.21
- Loans against Assets - Housing Loans (Secured - Non Performing Assets)	11,628.36	6,176.00
<b>Loans against Assets - Others (Secured)</b>		
- Loans against Assets - Others (Secured - Considered good)	304.63	-
- Loans against Assets - Others (Secured - Non Performing Assets)	0.83	-
<b>Total</b>	<b>2,47,715.80</b>	<b>1,58,217.57</b>

Particulars	(Rs. in Lacs)	
	As at March 31	
	2016	2015
<b>NOTE 12 CASH AND BANK BALANCE</b>		
<b>Cash and Cash Equivalents :</b>		
Balance with Banks in Current Accounts	610.79	684.50
Cash on Hand	516.42	305.74
<b>Total</b>	<b>1,127.21</b>	<b>990.24</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 13 SHORT TERM LOANS AND ADVANCES</b>		
<b>Unsecured, Considered good unless otherwise stated :</b>		
<b>Loans against Assets - Housing Loans (Secured)</b>		
- Loans against Assets - Housing Loans (Secured - Considered good)	66,810.78	45,634.14
- Loans against Assets - Housing Loans (Secured - Non Performing Assets)	12,055.79	6,089.29
<b>Loans against Assets - Others (Secured)</b>		
- Loans against Assets - Others (Secured - Considered good)	114.41	-
- Loans against Assets - Others (Secured - Non Performing Assets)	0.99	-
Other Loans and Advances		
- Employee Loans & Advances	37.31	28.47
- Prepaid Expenses	609.46	185.38
- Other Short Term Advances	6.65	-
Deposits for Office Premises / Others	15.62	10.84
<b>Total</b>	<b>79,651.01</b>	<b>51,948.12</b>

(Rs. in Lacs)

Particulars	As at March 31	
	2016	2015
<b>NOTE 14 CONTINGENT LIABILITIES, COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR) AND CHANGES IN PROVISIONS:</b>		
<b>I Contingent Liabilities and commitments (to the extent not provided for) :</b>		
(a) Legal suits filed by customers in Consumer Forums and civil courts claiming compensation from the company	10.04	15.18
(b) Demand against the company not acknowledged as debts - Income Tax	37.76	37.76
<b>Total</b>	<b>47.80</b>	<b>52.94</b>
<b>II Commitments :</b>		
(a) Estimated amount of contracts remaining to be executed on capital account	29.01	51.78
<b>Total</b>	<b>29.01</b>	<b>51.78</b>

(Rs. in Lacs)

Particulars	Year ended March 31	
	2016	2015
<b>NOTE 15 REVENUE FROM OPERATIONS</b>		
<b>a) Interest Income</b>		
Income from Loans	45,058.64	29,740.41
Others (Employee Loans, etc)	2.65	1.06
	<b>45,061.29</b>	<b>29,741.47</b>
<b>b) Other Financial Services</b>		
Service Charges and Other Fees on loan transactions	4,475.61	3,088.97
	<b>4,475.61</b>	<b>3,088.97</b>
<b>Total (a+b)</b>	<b>49,536.90</b>	<b>32,830.44</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 16 OTHER INCOME</b>		
Other non-operating income	7.83	14.03
<b>Total</b>	<b>7.83</b>	<b>14.03</b>

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 17 EMPLOYEE BENEFIT EXPENSES</b>		
Salary, Bonus and Incentives	8,281.59	5,893.72
Company's Contribution to Provident Funds and other funds	602.97	427.38
Employee Stock Compensation Costs	113.98	76.99
Staff Welfare Expenses	219.77	130.84
<b>Total</b>	<b>9,218.31</b>	<b>6,528.93</b>

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 18 FINANCE COST</b>		
Interest Expense	21,177.80	14,007.36
Other Borrowing Costs	154.25	104.71
<b>Total</b>	<b>21,332.05</b>	<b>14,112.07</b>

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 19 DEPRECIATION AND AMORTIZATION EXPENSE</b>		
Depreciation on Tangible Assets {refer note no 2.7}	343.34	275.01
<b>Total</b>	<b>343.34</b>	<b>275.01</b>

Particulars	(Rs. in Lacs)	
	Year ended March 31	
	2016	2015
<b>NOTE 20 LOAN PROVISIONS AND WRITE OFFS</b>		
Provision for Non Performing Assets (net)	3,112.64	1,379.41
General Provision on Standard Assets	422.75	273.83
Bad Debts and Write Offs	338.08	176.27
<b>Total</b>	<b>3,873.47</b>	<b>1,829.51</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	Year ended March 31	
	2016	2015
<b>NOTE 21 OTHER EXPENSES</b>		
Electricity Charges	41.23	26.60
Rent	198.21	139.63
Repairs & Maintenance -		
- Buildings	83.93	11.49
- Others	10.00	3.71
Insurance	234.72	150.29
Rates & Taxes, excluding taxes on income	37.21	16.40
Directors' sitting fees and commission	20.43	0.30
Commission & Brokerage	0.33	-
Legal & Professional Charges	459.39	239.94
Travelling and Conveyance Expenses	1,730.92	1,212.98
Administration Support Charges	427.33	381.87
Loss on Sale / Disposal of Owned Assets	4.13	5.48
Payments to the Auditor -		
(a) as auditor	7.53	5.04
(b) for other services	10.66	6.48
(c) for reimbursement of expenses	0.02	0.07
Corporate Social Responsibility Expenditure {refer note no 2.10}	109.43	66.85
General and Administrative Expenses	1,732.45	1,100.02
<b>Total</b>	<b>5,107.92</b>	<b>3,367.15</b>

(Rs. in Lacs)

Particulars	Year ended March 31	
	2016	2015
<b>NOTE 22 MOVEMENT OF STATUTORY RESERVE</b>		
<b>(As per Section 29C of the National Housing Bank Act, 1987)</b>		
<b>Balance at the beginning of the year</b>		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	35.00	10.00
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	3,519.93	2,069.93
<b>Total</b>	<b>3,554.93</b>	<b>2,079.93</b>
<b>Addition/Appropriation/Withdrawal during the year</b>		
Add: a) Amount Transferred u/s 29C of the NHB Act, 1987	25.00	25.00
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	2,300.00	1,450.00
Less: a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act 1987	-	-
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 which has been taken into account for the purposes of provision u/s 29C of the NHB Act, 1987	-	-
<b>Balance at the end of the year</b>		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	60.00	35.00
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	5,819.93	3,519.93
<b>Total</b>	<b>5,879.93</b>	<b>3,554.93</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 23 SECURED - LONG TERM BORROWINGS

### (i) Secured Term Loans from Banks (Secured loans against assets - Housing Loans and Book debts)

(Rs. in Lacs)

Particulars	As at March 31, 2016			Total
	Rate Range	(a) Long Term	(b) Current Maturities	
<b>1) Repayable on maturity :</b>				
a) Maturity beyond 3 years	9.65%-9.75%	25,000.00	-	25,000.00
b) Maturing between 1 year to 3 years	9.65%-9.70%	55,000.00	-	55,000.00
c) Maturing within 1 year	-	-	-	-
<b>Total repayable on maturity</b>		<b>80,000.00</b>	<b>-</b>	<b>80,000.00</b>
<b>2) Repayable in installments :</b>				
<b>i) Quarterly :</b>				
a) Maturity beyond 3 years	9.30%	3,888.89	-	3,888.89
b) Maturing between 1 year to 3 years	9.30%	6,798.25	-	6,798.25
c) Maturing within 1 year	9.30%-9.71%	-	5,912.28	5,912.28
<b>Total</b>		<b>10,687.14</b>	<b>5,912.28</b>	<b>16,599.42</b>
<b>ii) Half-Yearly :</b>				
a) Maturity beyond 3 years	9.70%	3,333.33	-	3,333.33
b) Maturing between 1 year to 3 years	9.70%	10,000.00	-	10,000.00
c) Maturing within 1 year	9.70%	-	4,733.33	4,733.33
<b>Total</b>		<b>13,333.33</b>	<b>4,733.33</b>	<b>18,066.66</b>
<b>iii) Yearly :</b>				
a) Maturity beyond 3 years	9.34%-9.63%	45,100.00	-	45,100.00
b) Maturing between 1 year to 3 years	9.34%-9.63%	31,100.00	-	31,100.00
c) Maturing within 1 year	9.50%-9.63%	-	4,500.00	4,500.00
<b>Total</b>		<b>76,200.00</b>	<b>4,500.00</b>	<b>80,700.00</b>
<b>Total repayable on installments</b>		<b>1,00,220.47</b>	<b>15,145.61</b>	<b>1,15,366.08</b>
<b>Total (1+2)</b>		<b>1,80,220.47</b>	<b>15,145.61</b>	<b>1,95,366.08</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Particulars	As at March 31, 2015			Total
	Rate Range	(a) Long Term	(b) Current Maturities	
<b>1) Repayable on maturity :</b>				
a) Maturity beyond 3 years	10.20%-10.50%	30,000.00	-	30,000.00
b) Maturing between 1 year to 3 years	10.25%-10.30%	45,000.00	-	45,000.00
c) Maturing within 1 year	-	-	-	-
<b>Total repayable on maturity</b>		<b>75,000.00</b>	<b>-</b>	<b>75,000.00</b>
<b>2) Repayable in installments :</b>				
<b>i) Quarterly :</b>				
a) Maturity beyond 3 years	10.00%	1,666.67	-	1,666.67
b) Maturing between 1 year to 3 years	10.00%-10.80%	4,932.75	-	4,932.75
c) Maturing within 1 year	10.00%-10.80%	-	3,690.06	3,690.06
<b>Total</b>		<b>6,599.42</b>	<b>3,690.06</b>	<b>10,289.48</b>
<b>ii) Half-Yearly :</b>				
a) Maturity beyond 3 years	10.25%	6,666.67	-	6,666.67
b) Maturing between 1 year to 3 years	10.25%	11,400.00	-	11,400.00
c) Maturing within 1 year	10.25%	-	4,533.33	4,533.33
<b>Total</b>		<b>18,066.67</b>	<b>4,533.33</b>	<b>22,600.00</b>
<b>iii) Yearly :</b>				
a) Maturity beyond 3 years	10.15%-10.20%	12,000.00	-	12,000.00
b) Maturing between 1 year to 3 years	10.15%-10.20%	9,000.00	-	9,000.00
c) Maturing within 1 year	-	-	-	-
<b>Total</b>		<b>21,000.00</b>	<b>-</b>	<b>21,000.00</b>
<b>Total repayable on installments</b>		<b>45,666.09</b>	<b>8,223.39</b>	<b>53,889.48</b>
<b>Total ( 1+2)</b>		<b>1,20,666.09</b>	<b>8,223.39</b>	<b>1,28,889.48</b>

## ii) Secured Term Loans from NHB (Secured loans against assets - Housing Loans and Book debts)

(Rs. in Lacs)

Particulars	As at March 31, 2016			Total
	Rate Range	(a) Long Term	(b) Current Maturities	
<b>1) Repayable in installments :</b>				
<b>i) Quarterly :</b>				
a) Maturity beyond 3 years	8.85%-9.55%	5,322.88	-	5,322.88
b) Maturing between 1 year to 3 years	8.85%-9.70%	9,863.12	-	9,863.12
c) Maturing within 1 year	6.00%-10.15%	-	6,109.49	6,109.49
<b>Total</b>		<b>15,186.00</b>	<b>6,109.49</b>	<b>21,295.49</b>

(Rs. in Lacs)

Particulars	As at March 31, 2015			Total
	Rate Range	(a) Long Term	(b) Current Maturities	
<b>1) Repayable in installments :</b>				
<b>i) Quarterly :</b>				
a) Maturity beyond 3 years	9.15%-10.05%	10,092.19	-	10,092.19
b) Maturing between 1 year to 3 years	6.00%-10.15%	11,590.30	-	11,590.30
c) Maturing within 1 year	6.00%-10.30%	-	7,039.44	7,039.44
<b>Total</b>		<b>21,682.49</b>	<b>7,039.44</b>	<b>28,721.93</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 24 UNSECURED BORROWINGS

### (i) Subordinated Debts (Long Term)

(Rs. in Lacs)

Particulars	As at March 31, 2016				
	Rate Range	(a) Long Term	(b) Short Term	(c) Current Maturities	Total
<b>1) Repayable on maturity :</b>					
a) Maturity beyond 3 years (Listed)	9.25%-9.50%	6,000.00	-	-	6,000.00
b) Maturing between 1 year to 3 years	11.00%	700.00	-	-	700.00
c) Maturing within 1 year	-	-	-	-	-
<b>Total repayable on maturity</b>		<b>6,700.00</b>	<b>-</b>	<b>-</b>	<b>6,700.00</b>

(Rs. in Lacs)

Particulars	As at March 31, 2015				
	Rate Range	(a) Long Term	(b) Short Term	(c) Current Maturities	Total
<b>1) Repayable on maturity :</b>					
a) Maturity beyond 3 years	11.00%	700.00	-	-	700.00
b) Maturing between 1 year to 3 years	-	-	-	-	-
c) Maturing within 1 year	-	-	-	-	-
<b>Total repayable on maturity</b>		<b>700.00</b>	<b>-</b>	<b>-</b>	<b>700.00</b>

### (ii) Inter - Corporate Deposits (ICD)

(Rs. in Lacs)

Particulars	As at March 31, 2016				
	Rate Range	(a) Long Term	(b) Short Term	(c) Current Maturities	Total
<b>1) Repayable on maturity :</b>					
a) Maturity beyond 3 years	-	-	-	-	-
b) Maturing between 1 year to 3 years	9.80%	2,000.00	-	-	2,000.00
c) Maturing within 1 year	8.50%-10.50%	-	2,255.00	4,656.50	6,911.50
<b>Total repayable on maturity</b>		<b>2,000.00</b>	<b>2,255.00</b>	<b>4,656.50</b>	<b>8,911.50</b>

(Rs. in Lacs)

Particulars	As at March 31, 2015				
	Rate Range	(a) Long Term	(b) Short Term	(c) Current Maturities	Total
<b>1) Repayable on maturity :</b>					
a) Maturity beyond 3 years	-	-	-	-	-
b) Maturing between 1 year to 3 years	9.80%-10.50%	6,656.50	-	-	6,656.50
c) Maturing within 1 year	9.10%-9.75%	-	575.00	1,875.00	2,450.00
<b>Total repayable on maturity</b>		<b>6,656.50</b>	<b>575.00</b>	<b>1,875.00</b>	<b>9,106.50</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## NOTE 25 SHORT TERM BORROWINGS

Secured Short Term Loans / Cash Credit from Banks ( Secured loans against assets - Housing Loans and Book debts)

(Rs. in Lacs)

Particulars	As at March 31, 2016			
	Rate Range	(a) Long Term	(b) Short Term	Total
<b>1) Repayable on maturity :</b>				
a) Maturing within 1 year	9.10%-10.75%	-	14,394.45	14,394.45
<b>Total</b>		<b>-</b>	<b>14,394.45</b>	<b>14,394.45</b>

(Rs. in Lacs)

Particulars	As at March 31, 2015			
	Rate Range	(a) Long Term	(b) Short Term	Total
<b>1) Repayable on maturity :</b>				
a) Maturing within 1 year	10.20%-10.50%	-	3,549.23	3,549.23
<b>Total</b>		<b>-</b>	<b>3,549.23</b>	<b>3,549.23</b>

## NOTE 26 COMMERCIAL PAPER BORROWINGS

(Rs. in Lacs)

Particulars	As at March 31, 2016			
	Rate Range	(a) Long Term	(b) Short Term	Total
<b>1) Repayable on maturity :</b>				
a) Maturing within 1 year	8.90% - 9.40%	-	20,000.00	20,000.00
<b>Total</b>		<b>-</b>	<b>20,000.00</b>	<b>20,000.00</b>

(Rs. in Lacs)

Particulars	As at March 31, 2015			
	Rate Range	(a) Long Term	(b) Short Term	Total
<b>1) Repayable on maturity :</b>				
a) Maturing within 1 year	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>

## NOTE II

### NOTES TO ACCOUNTS

2.1 The Company has complied with norms prescribed under Housing Finance Companies (NHB) Directions, 2010 for recognizing Non-performing Assets in preparation of accounts.

Classification of loans are given below:

(Rs. in Lacs)

Particulars	Standard Assets	Sub Standard Assets	Bad & Doubtful Assets	Total
<b>As at March 31, 2016</b>				
Housing Loans - Secured	3,02,346.98	14,346.37	9,337.78	3,26,031.13
Other Loans & Advances - Secured	419.04	1.82	-	420.86
Other Loans & Advances	820.62	-	-	820.62
Percentage to Total Loans	92.77%	4.38%	2.85%	100.00%
<b>As at March 31, 2015</b>				
Housing Loans	1,97,566.35	7,607.03	4,658.26	2,09,831.63
Other Loans	313.50	-	-	313.50
Percentage to Total Loans	94.16%	3.62%	2.22%	100.00%

2.2 The Company has made adequate provision for Non Performing Assets identified, in accordance with the Housing Finance Companies (NHB) Directions, 2010. As per the practice consistently followed, the Company has also made additional provision on prudential basis. The cumulative additional provision made by the Company as at March 31, 2016 is Rs. 612.67 Lacs (March 2015: Rs. 225.03 Lacs).

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

In line with Notification No. NHB.HFC.DIR.3/CMD/2011 issued by National Housing Bank, the Company has made a provision @ 0.40 % on outstanding Standard Assets.

(Rs. in Lacs)				
Particulars	Standard	Sub Standard	Doubtful	Loss
Provisions made :				
<b>As at March 31, 2016</b>				
Housing Loans – Secured	1,209.42	2,554.84	3,212.15	131.76
Other Loans & Advances – Secured	1.68	0.27	-	-
Other Loans & Advances	3.30	-	-	-
<b>As at March 31, 2015</b>				
Housing Loans	790.30	1,297.07	1,408.97	80.34
Other Loans	1.35	-	-	-

- 2.3** In accordance with Accounting Standard 29 (AS-29) "Provisions, Contingent Liabilities and Contingent Assets", the following are the details of the movement in provisions for the period ending March 31, 2016:

(Rs. in Lacs)				
Particulars	As at April 01, 2015	Additional Provision	Utilizations / Reversals	As at March 31, 2016
Provision on Standard Assets	<b>791.65</b>	422.75	-	<b>1,214.40</b>
Provision for Non Performing Assets	<b>2,786.38</b>	3,555.26	442.62	<b>5,899.02</b>

- 2.4** Loan receivable includes Rs. 6,959.07 Lacs outstanding towards financing of insurance as of March 31, 2016 and Rs. 5,025.67 Lacs as of March 31, 2015.
- 2.5** As per section 29C (i) of the National Housing Bank Act, 1987, the Company is required to transfer at least 20% of its net profits every year to a Reserve before any dividend is declared. For this purpose a Special Reserve created by the Company under Section 36(1)(viii) of the Income Tax Act, 1961 is considered to be an eligible transfer. The Company has transferred an amount to Special Reserve in terms of 36(1)(viii) of the Income Tax Act, 1961 and section 29C of the National Housing Bank Act, 1987, as amended, at year end. The Company does not anticipate any withdrawal from Special Reserve in foreseeable future.
- 2.6** In the previous year in terms of requirements of Circular NHB(ND)/DRS/Policy Circular No. 62/2014 issued by NHB, the Company has created deferred tax liability on the Special Reserve. Further Vide another circular NHB(ND)/DRS/Policy Circular 65/2014 dated August 22, 2014, the National Housing Bank ("NHB") has directed Housing Finance Companies (HFCs) to provide for a deferred tax liability in respect of amount transferred to "Special Reserve" created under section 36(1)(viii) of the Income Tax Act, 1961. As per above circular, NHB has advised HFCs to create deferred tax liability in respect of accumulated balance of Special Reserve as at April 1, 2014 from the reserves over a period of 3 years starting with current financial year, in a planned manner in the ratio of 25:25:50. However the Company had created 100% of deferred tax liability (as per Circular No. 62/2014) of Rs. 706.08 Lacs on accumulated Special Reserve as at April 1, 2014 out of opening balance of surplus in Profit and Loss as at April 1, 2014.
- 2.7** In the previous year consequent to the enactment of The Companies Act, 2013, the Company had charged depreciation on its fixed assets as per the useful life prescribed in Schedule II to the Act or useful life as assessed by the management (refer Accounting Policies note 1.4). Consequently, depreciation charged for the previous period is increased by Rs. 55.52 Lacs. Further additional depreciation of Rs. 21.68 Lacs, on the fixed assets in respect of which useful life was fully exhausted as at April 1, 2014, was adjusted against the opening balance of surplus in the Profit and Loss.
- 2.8** The Company is not required to make provision for diminution in value of investments, as per NHB norms, as the Company does not hold any investment.
- 2.9** The Company has not granted any loans or advances against collateral of gold jewellery.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**2.10** During the year the Company has incurred CSR expenses of Rs. 109.43 Lacs (Previous year provision Rs. 66.85 Lacs) as per the requirement of section 135 of The Companies Act, 2013. The said expenditure represents contribution made to trust which are engaged in the activity prescribed under the said section read with Schedule VII to the Act.

**2.11** Bad Debts and Write offs includes loss on termination of Rs. 48.53 Lacs (March 2015 Rs. 22.78 Lacs) which mainly represents shortfall on settlement of certain contracts due to lower realization from such loan assets on account of poor financial position of such customers. Bad Debts recovery of Rs. 12.07 Lacs (Previous year NIL) was made in current year.

**2.12** In the opinion of the Board, Current assets, Loans and Advances are of the value stated, if realized, in the ordinary course of business.

## 2.13 Employee Benefits:

### Defined Benefit Plans - As per Actuarial valuation on March 2016

(Rs. in Lacs)

	Gratuity (Funded)		Sick leave (Non-funded)		Privilege leave (Non-funded)		
	Mar-16	Mar-15	Mar-16	Mar-15	Mar-16	Mar-15	
<b>I. Expense recognised in the Statement of Profit &amp; Loss Account for the period ending March 31, 2016</b>							
1 Current service cost	131.19	90.89	23.55	16.22	188.78	145.66	
2 Interest cost	8.77	6.02	1.20	0.84	8.93	6.14	
3 Expected return on plan assets	(9.26)	(6.33)	-	-	-	-	
4 Actuarial (Gains)/Losses	(92.03)	(60.09)	(13.97)	(12.73)	(168.04)	(106.98)	
5 Adjustment due to opening Balance	-	1.16	-	-	-	-	
6 Transfer from MBCSPL	-	(13.81)	-	-	-	-	
<b>7 Total expenses</b>	<b>38.67</b>	<b>17.84</b>	<b>10.78</b>	<b>4.33</b>	<b>29.67</b>	<b>44.82</b>	
<b>II. Net asset/(liability) recognised in the Balance Sheet as at March 31, 2016</b>							
1 Present Value of Defined Benefit obligation as at March 31	131.66	91.92	23.38	12.60	111.66	92.52	
2 Fair value of plan assets as at March 31	125.44	90.86	-	-	-	-	
3 Funded status (surplus/ (deficit))	(6.22)	(1.06)	(23.38)	(12.60)	(111.66)	(92.52)	
<b>4 Net asset/(liability) as at March 31</b>	<b>(6.22)</b>	<b>(1.06)</b>	<b>(23.38)</b>	<b>(12.60)</b>	<b>(111.66)</b>	<b>(92.52)</b>	
<b>III. Change in the obligations during the period ending March 31, 2016</b>							
1 Present Value of Defined Benefit obligation at the beginning of the year	91.92	60.14	12.60	8.27	92.52	55.26	
2 Transfer of Projected benefit obligation from MBCSPL	-	0.30	-	-	-	-	
3 Current service cost	131.19	90.89	23.55	16.22	188.78	145.66	
4 Interest cost	8.77	6.02	1.20	0.84	8.93	6.14	
5 Actuarial (Gains)/Losses	(92.03)	(60.09)	(13.97)	(12.73)	(168.04)	(106.98)	

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)						
	Gratuity (Funded)		Sick leave (Non-funded)		Privilege leave (Non-funded)	
	Mar-16	Mar-15	Mar-16	Mar-15	Mar-16	Mar-15
6 Benefits paid	(8.19)	(5.34)	-	-	(10.53)	(7.56)
<b>7 Present Value of Defined Benefit obligation at the end of the period</b>	<b>131.66</b>	<b>91.92</b>	<b>23.38</b>	<b>12.60</b>	<b>111.66</b>	<b>92.52</b>
<b>IV. Change in the fair value of plan assets during the period ending March 31, 2016</b>						
1 Fair value of plan assets at the beginning of the year	90.86	47.77	-	-	-	-
2 Expected return on plan assets	9.26	6.33	-	-	-	-
3 Contributions by employer	33.51	28.29	-	-	-	-
4 Actuarial (Gains)/Losses	-	-	-	-	-	-
5 Actual Benefits paid	(8.19)	(5.34)	-	-	-	-
6 Transfer from MBCSPL	-	13.81	-	-	-	-
<b>7 Fair value of plan assets at the end of the period</b>	<b>125.44</b>	<b>90.86</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>V. Major category of plan assets as a percentage of total plan</b>						
Funded with LIC	100%	100%	-	-	-	-
Others	-	-	-	-	-	-
<b>VI. Actuarial Assumptions</b>						
1 Discount Rate	8.00%p.a.	8.00%p.a.	8.00%p.a.	8.00%p.a.	8.00%p.a.	8.00%p.a.
2 Expected Rate of return on plan assets	8.00%p.a.	8.00%p.a.	-	-	-	-
3 Rate of Salary increase	5.00%p.a.	5.00%p.a.	5.00%p.a.	5.00%p.a.	5.00%p.a.	5.00%p.a.
4 In-service Mortality	Indian Assured lives Mortality (2006-08) Ultimate	Indian Assured lives Mortality (2006-08) Ultimate				

## Experience Adjustments:

(Rs. in Lacs)					
	Period Ending				
	2012	2013	2014	2015	2016
1 Defined Benefit obligation at end of the period	22.85	39.61	60.14	91.92	131.66
2 Plan assets at the end of period	32.34	35.88	48.93	90.86	125.44
3 Funded Status Surplus/ (Deficit)	9.48	(3.72)	(11.21)	(1.06)	(6.22)
4 Experience adjustments on plan liabilities (gain)/loss	(6.03)	(6.77)	(10.35)	(20.08)	(30.71)
5 Experience adjustments on plan assets gain/(loss)	-	-	-	-	-

**2.14** The Company has single reportable segment "Housing Finance business – Financial Services" for the purpose of Accounting Standard 17 (AS-17) on Segment Reporting.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**2.15** Earnings per share as required by Accounting Standard-20 (AS-20) read with the Guidance note on “ Accounting for employee share based payments” is as follow

Particulars	March 2016	March 2015
Net Profit after tax (Rs. In Lacs)	6,268.03	4,417.34
Weighted Average Number of Equity Shares of Rs. 10/- each – Basic (In Lacs)	657.92	618.15
Weighted Average Number of Equity Shares of Rs. 10/- each – Diluted (In Lacs)	657.92	618.15
Basic Earnings Per Share (Rs.)	9.53	7.15
Diluted Earnings Per Share (Rs.)	9.53	7.15

**2.16** The Company has incurred a cost of Rs. 113.98 Lacs (previous year Rs. 76.99 Lacs) towards ESOP granted to its employees by Mahindra and Mahindra Financial Services Limited (MMFSL).

**2.17** During the year Company has purchased immovable property at Chinchwad, Pune amounting to Rs. 23.12 Lacs. The same has been capitalized in the Buildings Block of Fixed Assets.

**2.18** The Board of Directors have recommended a dividend of Rs. 1.40 per share on 7,57,29,181 Equity Shares of Rs. 10/- each for the current financial year. The dividend payout will absorb a sum of Rs. 1276.04 Lacs (including Dividend Distribution Tax). As per Companies (Accounting Standards) Amendment Rules 2016, issued by Ministry of Corporate Affairs, vide its Notification No. G.S.R.364 (E) dated March 30, 2016, Accounting Standards (AS) 4 on Contingencies and Events Occurring After the Balance Sheet Date has been amended as per which proposed dividend is to be provided on actual distribution. Accordingly the Company has not provided for the said proposed dividend recommended by the Board of Directors.

**2.19** The Company has incurred an expenditure in Foreign Currency towards:

- ◆ Foreign Travel Expenses Rs. 2.93 Lacs (previous year Rs. 0.74 Lacs)
- ◆ Conference Registration Charges Rs. NIL (previous year Rs. NIL Lacs)

## 2.20 Related Party Disclosure as per Accounting Standard 18:

List of the related parties which have transactions with our Company during the year:

<b>Ultimate Holding Company</b>	:	Mahindra and Mahindra Limited
<b>Holding Company</b>	:	Mahindra and Mahindra Financial Services Limited
<b>Fellow subsidiary Companies</b>	:	Mahindra Insurance Brokers Limited
	:	Mahindra First Choice Services Ltd.
	:	NBS International Limited
	:	Mahindra Asset Management Company Private Limited
	:	Mahindra Integrated Business Solutions Pvt. Ltd.
	:	Mahindra Holidays & Resorts India Ltd.
<b>Key Management Personnel</b>	:	Mr. Anuj Mehra (Managing Director)

Related Parties transactions are as under:

(Rs. in Lacs)

Sr. No.	Nature of transactions	Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
<b>1</b>	<b>Expenses</b>			
	Interest	Mahindra & Mahindra Financial Services Limited	567.27	
			(602.73)	
		Mahindra Insurance Brokers Limited		411.71

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Sr. No.	Nature of transactions	Holding Companies	Fellow Companies	Subsidiary Companies	Key Management Personnel
				(402.67)	
		Mahindra AMC Private Limited		2.79	
					-
	Other Expenses	Mahindra & Mahindra Limited	15.56		
			(13.81)		
		Mahindra & Mahindra Financial Services Limited	493.73		
			(517.99)		
		Mahindra First Choice Services Limited		0.83	
				(1.49)	
		NBS International Limited		0.03	
				(0.03)	
		Mahindra Integrated Business Solutions Pvt. Ltd.		14.88	
					-
		Mahindra Holidays & Resorts India Ltd.		2.24	
					-
	Employee Remuneration	Mahindra & Mahindra Financial Services Limited	113.98		
			(76.99)		
		Mr. Anuj Mehra			195.58
					(131.77)
<b>2</b>	<b>Equity Shares (Including Premium)</b>	Mahindra & Mahindra Financial Services Limited	3,497.22		
			(2,190.00)		
<b>3</b>	<b>Purchase of Fixed Assets (including CWIP &amp; Capital Advance)</b>	Mahindra & Mahindra Limited	54.71		
					-
<b>4</b>	<b>Dividend</b>				
	Dividend paid – for previous year (FY14-15)	Mahindra & Mahindra Financial Services Limited	747.76		
			(536.36)		
	Proposed Dividend for the current year	Mahindra & Mahindra Financial Services Limited	-		
			(747.76)		
<b>5</b>	<b>Finance</b>				
	Inter Corporate Deposits taken	Mahindra & Mahindra Financial Services Limited	-		
			(69,107.00)		
		Mahindra Insurance Brokers Limited		-	
				(1,550.00)	
		Mahindra AMC Private Limited		55.00	
					-
	Inter Corporate Deposits repaid	Mahindra & Mahindra Financial Services Limited	-		
			(64,974.38)		
		Mahindra Insurance Brokers Limited		250.00	
					(1,725.00)

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

(Rs. in Lacs)

Sr. No.	Nature of transactions	Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
<b>6</b>	<b>Balances at the end of the period</b>			
	Unsecured Subordinate Debts placed (including interest accrued)	Mahindra & Mahindra Financial Services Limited	700.76	
			(700.38)	
	Inter Corporate Deposits outstanding (including interest accrued but not due)	Mahindra & Mahindra Financial Services Limited	5,189.14	
			(4,747.90)	
		Mahindra Insurance Brokers Limited		4,347.05
				(4,613.84)
		Mahindra AMC Private Limited		57.51
				-
	Payables	Mahindra & Mahindra Limited	10.34	
			(9.26)	
		Mahindra & Mahindra Financial Services Limited	66.57	
			(59.41)	
		Mahindra Insurance Brokers Limited		7.88
				(4.33)
		Mahindra First Choice Services Limited		0.65
				-
		Mahindra Integrated Business Solutions Pvt. Ltd.		0.74
				-

Notes:

Figures in bracket represent corresponding figure of previous year.

**2.21** None of the suppliers have submitted their confirmation towards Micro, Small and Medium Enterprises, thus there is no principal or interest dues thereon outstanding to any such supplier at the end of accounting year.

**2.22** Previous year's figures have been regrouped/ reclassified wherever found necessary.

Signatures to Notes 1 to 26

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Ramesh Iyer**  
Chairman

**Nityanath Ghanekar**  
Director

**Anjali Raina**  
Director

**V. Ravi**  
Director

**Naresh Kumar Kataria**  
Partner  
Membership No.037825

**K. Chakravarthy**  
Director

**K. Chandrasekar**  
Director

**M. Narendra**  
Director

**Anuj Mehra**  
Managing Director

Place : Mumbai  
Date : April 15, 2016

**Arnavaz Pardiwala**  
Company Secretary

**Dharmesh Vakharia**  
Chief Financial Officer

# Disclosure in the Balance Sheet

(as at : March 31, 2016 )

## I. CAPITAL TO RISK ASSETS RATIO (CRAR)

Particulars	Current Year	Previous Year
i) CRAR (%)	23.6%	15.3%
ii) CRAR - Tier I capital (%)	18.3%	14.3%
iii) CRAR - Tier II Capital (%)	5.3%	1.0%

## II. EXPOSURE TO REAL ESTATE SECTOR

(Rs. in Lacs)

Category	Current Year	Previous Year
<b>a) Direct exposure</b>		
(i) Residential Mortgages –		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	3,26,452	2,09,832
Of the above Individual housing loan upto Rs. 15 lakh	3,21,573	2,08,510
(ii) Commercial Real Estate –		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	Nil	Nil
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –	Nil	Nil
a. Residential		
b. Commercial Real Estate		
<b>b) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

## III. ASSET LIABILITY MANAGEMENT

### Maturity pattern of certain items of assets and liabilities

(Rs in Lacs)

	1 day to 30-31 days (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
<b>Liabilities</b>											
Borrowings from banks	15,238	-	1,215	8,275	9,827	1,13,856	82,170	475	-	-	2,31,056
Market Borrowings	-	975	20,275	4,986	675	2,700	-	-	6,000	-	35,611
<b>Assets</b>											
Advances	7,067	5,303	4,988	17,006	32,036	1,12,960	96,889	31,292	7,494	12,325	3,27,360
Investments	-	-	-	-	-	-	-	-	-	-	-

# Directors' Report

To,  
The Members of  
Mahindra Asset Management Company Private Limited

Your Directors are pleased to present their Third Report together with the audited Financial Statements of your Company for the Financial Year ended March 31, 2016.

## FINANCIAL RESULTS

(Rs. In Lacs)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Total Income	119.58	0.80
Less : Employee benefit expenses	357.00	-
Depreciation and amortization expenses	3.57	-
Other expenses	204.03	6.58
Total Expenses	564.60	6.58
Profit / (Loss) Before Tax	(445.02)	(5.78)
Less : Provision for Tax		
Current Tax	-	-
Deferred Tax	-	-
Profit / (Loss) for the year	(445.02)	(5.78)
Profit / (Loss) brought forward from previous years	(6.27)	(0.49)
Transfer to Reserves	-	-

## DIVIDEND

In view of losses incurred by the Company, your Directors do not recommend any dividend for the year under review.

## TRANSFER TO RESERVES

In view of the losses incurred by the Company for the year under review, no amount has been transferred to reserves.

## OPERATIONS

Your Company was incorporated with an objective to act as managers, consultants, advisors for mutual funds, unit trusts, venture capital funds, etc. On February 4, 2016, your Company received license from Securities and Exchange Board of India (SEBI) to act as an Asset Manager for Mahindra Mutual Fund. However, the approval to various Mutual Fund products is still awaited from SEBI. Considering the pending regulatory approvals, your Company could not commence business activities during the year under consideration. However, the whole superstructure of the business including all systems, processes, policies and personnel are in place and the Company is fully geared to enter the markets as soon as the necessary regulatory approvals are received.

Your Directors would like to present the overview of the Economy and Financial Markets in general and the Mutual Funds Industry in particular.

## Indian Economy

Despite global turmoil and a truant monsoon, the Indian Economy registered a robust growth of 7.60 percent in the F.Y. 2015-16, thus becoming the fastest growing major economy in the world. The Budget had set fiscal deficit target of 3.90 percent which was achieved.

With global commodity prices remaining benign, the previous year witnessed a continued moderation in general price levels. Headline Inflation based on Consumer Price Index (CPI) dipped to 4.91 percent (5.97 percent in the F.Y. 2014-2015) showing a persistent pressure on oil and commodity prices. Exchange rate movements and Current Account deficits too reflected a stable environment. The movement of exchange rate measured against the US dollar was orderly and the Rs. depreciated about 6.50 percent during the year under consideration.

The second year of the present government witnessed some policy actions like liberalization of FDI regime, including the much awaited Insurance Bill, crop insurance measures, financial inclusion through Jan Dhan Yojna and transferring subsidies through the Direct Benefit Transfer (DBT) platform.

However, stretched corporate balance sheets, asset quality constraints, delays in the passage of GST Bill and non-passage of Land Acquisition Bill negatively affected the mood in equity markets.

## Equity Markets

As on March 31, 2016, the S&P BSE Sensex ended 9.1% lower at 25,341, while the Nifty 50 closed 8.8% lower at 7,738 compared to their respective closing figures as on March 31, 2015.

With corporate performance failing market expectation, the year 2015-16 did not bring much happiness to investors. The momentum started to fade further after the announcement of the budget; actual earnings trajectory turned out to be flat or negative, contrasting the projections by consensus estimates.

The silver lining however was the continued flows received by domestic institutions, particularly mutual funds, from retail participants who saw great opportunity in exploiting the valuation arbitrage created from the earlier run-up in the benchmark indices and large cap stocks.

Among the Emerging Market (EM) peers, India remained in a bright spot amid a slowdown in global economy on the back of multiple rate cuts by the Reserve Bank of India (RBI) and its efforts to keep inflation under check and also due to the capital infusion by the domestic investors. Foreign Institutional Investors were however net sellers in Indian equities to the tune of Rs. 14,172 Crores, in the F.Y. 2015-16.

## Fixed Income Markets

The Reserve Bank of India (RBI) continued its accommodative stance through the last fiscal year and cut the benchmark repo rate by 75 basis points. In response to the cumulative reduction of around 125 basis points (bps) cut since January 2015, banks have reduced their median deposit rate by 72 bps and median base rates by around 60 bps.

Long term benchmark 10 year Gilt rates however eased marginally by around 30 bps and closed around 7.45 percent. A part of the reason for the muted fall in long term gilt rates could be on account of uncertainty on US rates, and also partly because of relatively robust incremental credit off take.

## Global events

China's benchmark index, Shanghai Composite, decreased by nearly 24 percent in this year and hit 2,655, its lowest level for the year. Meanwhile, the Greek crisis had a ripple effect on Indian equities in a reaction to the global risk-off trade. Another major event for the year was the 25 basis point hike in interest rates by the US Federal Reserve. The interest rates, which were maintained at zero, were raised for the first time in almost a decade since the Global Financial Crisis of 2008 indicating signs of a pickup in the world's biggest economy.

## Overview of the Mutual Fund Industry

During the year under consideration, the mutual fund industry continued to witness robust growth. The total

Assets Under Management (AUM) as on March 31, 2016 were Rs. 12,32,824 crores as compared to Rs. 10,82,757 crores as on March 31, 2015, thereby witnessing a growth of around 14 percent.

What was remarkable was the resilience of the equity oriented schemes, which saw net inflows of around Rs. 93,000 crores (previous year Rs. 80,855 crores) despite a fall in the benchmark equity indices.

The value of assets held by individual investors in mutual funds also increased to Rs. 6.16 lakh crores, a rise of around 10.11 percent.

As the nation becomes more financially inclusive and with financial literacy gaining traction, the adoption of technology lowering barriers to the last mile access, with benefits of low cost and transparency, the Indian Mutual Fund industry has the possibility of becoming the primary vehicle of savings in the capital markets.

**(Data Source: Economic Survey 2015-16, AMFI, Bloomberg)**

## Looking ahead

It is evident that India is still oozing potential. The Country's long run potential growth rate is still around 8-10 percent.

The Economic survey had portrayed a latent growth potential. The Meteorological Department has predicted a normal monsoon this year. The right mix of reforms, governance and push from the rain gods could witness the foundation for a stronger economy.

## SHARE CAPITAL

During the year under review, the Authorised Share Capital was increased from Rs. 5,00,00,000 (Rupees Five Crores) divided into 50,00,000 (Fifty Lacs) Equity Shares of Rs. 10 (Rupees Ten) each to Rs. 76,00,00,000 (Rupees Seventy-Six Crores) divided into 7,60,00,000 (Seven Crores Sixty Lacs) Equity Shares of Rs. 10 (Rupees Ten) each. The increase in the Authorised Share Capital was pursuant to the approval of the Members granted at their Extraordinary General Meeting held on June 15, 2015.

During the year under review, 5,95,00,000 (Five Crores Ninety five Lacs) Equity Shares of the face value of Rs. 10 each aggregating to Rs. 59,50,00,000 (Rupees Fifty Nine Crores Fifty Lacs) were issued and allotted for cash at par to the existing Shareholders of the Company on a Rights basis. Post allotment of Equity Shares as aforesaid, the issued, subscribed and paid-up Share Capital of the Company stands at Rs. 60,55,00,000 (Rupees Sixty Crores Fifty five Lacs) comprising of 6,05,50,000 (Six Crores Five Lacs Fifty Thousand) Equity Shares of Rs. 10 (Rupees Ten) each, fully paid-up.

During the year under review, the Company has neither issued shares with differential voting rights as to dividend, voting or otherwise nor has issued any sweat equity. The Company has not formulated any Employees' Stock Option Scheme during the year under review. There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which loan was given by the Company.

As on March 31, 2016, none of the Directors of the Company holds instruments convertible into Equity Shares of the Company.

## DIRECTORS

Mr. Ramesh Iyer (DIN: 00220759) resigned as the Director of the Company with effect from October 12, 2015. Consequent upon his resignation as the Director, Mr. Ramesh Iyer also ceased to be the Chairman of the Board. The Board acknowledged Mr. Ramesh Iyer's contribution to the Company and placed on record its deep appreciation of the invaluable counsel rendered by him to the Company and his immense contribution in guiding the management during his tenure as the Chairman and as a Director of the Company. The Board of Directors, at its meeting held on January 11, 2016, appointed Mr. V. Ravi as the Chairman of the Board of Directors.

The Board of Directors at its meeting held on October 12, 2015, had, subject to the approval of the Members at the general meeting, appointed Mr. Ashutosh Bishnoi (DIN: 02926849) as an Additional Director. The Board of Directors at the said meeting also appointed Mr. Ashutosh Bishnoi as the Managing Director & Chief Executive Officer of the Company, upon the recommendation of the Nomination and Remuneration Committee and subject to the approval of Members at the general meeting. The Members at their Extraordinary General Meeting held on November 4, 2015, approved the appointment of Mr. Ashutosh Bishnoi as the Director not liable to retire by rotation and also approved his appointment as the Managing Director & Chief Executive Officer of the Company, by way of a special resolution. Pursuant to the provisions of section 197 read with Schedule V of the

Companies Act, 2013, the payment of remuneration to Mr. Ashutosh Bishnoi is subject to the approval of the Central Government. An application has been made to the Central Government in this regard and, as on the date of this Report, is pending for approval.

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. V. Ravi (DIN:00307328), Chairman and Non-Executive Non-Independent Director of the Company retires by rotation at the forthcoming Annual General Meeting scheduled to be held on July 12, 2016 and being eligible, offers himself for re-appointment.

## KEY MANAGERIAL PERSONNEL

Mr. Rajesh Vasudevan was appointed as the Chief Financial Officer of the Company with effect from March 14, 2016.

Mr. Ashutosh Bishnoi, Managing Director & Chief Executive Officer; Mr. Rajesh Vasudevan, Chief Financial Officer and Mr. Abhijeet Gogate, Company Secretary are the Key Managerial Personnel of the Company as per the provisions of Section 203 of the Companies Act, 2013.

## COMPOSITION OF THE BOARD

The composition of the Board of Directors of your Company is in conformity with the provisions of the Companies Act, 2013, as amended from time to time. The Company has a Non-Executive Non-Independent Chairman, a Managing Director and two Independent Directors. The Board reviews and approves strategy and oversees the actions and results of management to ensure that the long term objectives of enhancing stakeholders' value are met.

None of the Independent Directors are due for re-appointment. None of the Directors hold directorships in more than 10 public companies. None of the Directors are related to each other.

## Board Meetings and Annual General Meeting

During the Financial Year 2015-16, the Board of Directors met five times; on April 7, 2015, July 8, 2015, October 12, 2015, January 11, 2016 and March 14, 2016.

The names and categories of the Directors of the Company, their attendance at the Board Meetings held during the Financial Year 2015-16 and at the last Annual General Meeting (AGM) of the Company held on July 8, 2015 are as follows:

Names of Directors	Category	Attendance at the Board Meetings held during F.Y. 2015-16		Attendance at the last Annual General Meeting held on July 8, 2015 (Yes / No / N.A.)
		Held	Attended	
Mr. Ramesh Iyer <sup>(1)</sup> (Former Chairman)	Non-Executive Non-Independent Director	5	3	Yes
Mr. V. Ravi <sup>(2)</sup> (Chairman)	Non-Executive Non-Independent Director	5	5	Yes

Names of Directors	Category	Attendance at the Board Meetings held during F.Y. 2015-16		Attendance at the last Annual General Meeting held on July 8, 2015 (Yes / No / N.A.)
		Held	Attended	
Mr. Ashutosh Bishnoi <sup>(3)</sup> (Managing Director & Chief Executive Officer)	Executive Director	5	2	N.A.
Mr. Gautam Divan	Independent Director	5	5	Yes
Mr. Sethu Gururajan	Independent Director	5	5	Yes

## Notes:

- (1) Mr. Ramesh Iyer has resigned as the Chairman and member of the Board with effect from October 12, 2015.  
(2) Mr. V. Ravi was appointed as the Chairman with effect from January 11, 2016.  
(3) Mr. Ashutosh Bishnoi was appointed as the Managing Director & Chief Executive Officer with effect from October 12, 2015.

## COMMITTEES OF THE BOARD

### a) Audit Committee

During the year under review, an adequately qualified and experienced Audit Committee of the Board of Directors was constituted. As on March 31, 2016, the Audit Committee comprised of two Independent Directors and one Non-Executive Non-Independent Director. The Committee is comprised of Mr. Gautam Divan (Chairman) and Mr. Sethu Gururajan, both Independent Directors and Mr. V. Ravi, Non-Executive Non-Independent Director.

The Audit Committee met once during the year under review on January 11, 2016. All the members of the Committee were present at the said Meeting of the Audit Committee. All the recommendations made by the Audit Committee have been accepted by the Board.

The terms of reference of the Audit Committee are as follows:

- (i) To recommend the appointment, remuneration and terms of appointment of auditors of the company;
- (ii) To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (iii) to meet the Internal Auditors and the Statutory Auditors periodically and to discuss the scope of audit, observations of the Auditors and other related matters;
- (iv) to have discussion with the Internal Auditors periodically about internal control systems and to ensure compliance of internal control systems;
- (v) examination of the financial statement and the auditors' report thereon;

- (vi) approval or any subsequent modification of transactions of the Company with related parties;
- (vii) scrutiny of inter-corporate loans and investments;
- (viii) valuation of undertakings or assets of the Company, wherever it is necessary;
- (ix) evaluation of internal financial controls and risk management systems;
- (x) Monitoring the end use of funds raised through public offers and related matters, wherever it is necessary.

### b) Nomination and Remuneration Committee

During the year under review, a Nomination and Remuneration Committee of the Board of Directors was constituted. As on March 31, 2016, the Nomination and Remuneration Committee comprised of two Independent Directors and one Non-Executive Non-Independent Director.

The Committee is comprised of Mr. Sethu Gururajan (Chairman) and Mr. Gautam Divan, both Independent Directors and Mr. V. Ravi, Non-Executive Non-Independent Director.

The Nomination and Remuneration Committee met twice during the year under review on October 12, 2015 and January 11, 2016. All the members of the Committee were present at the said Meetings of the Nomination and Remuneration Committee.

The terms of reference of the Nomination and Remuneration Committee are as follows:

- a) To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria to

- be laid down, recommend to the Board their appointment and removal;
- b) To carry out evaluation of every director's performance;
  - c) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, Key Managerial Personnel and other employees. While formulating the policy, the Committee shall ensure that -
    - i. 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;
    - ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
    - iii. 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.
  - d) to govern, administer, control and manage from time to time the schemes for rewarding employees by way of stock options, stock appreciation rights or in such other manner as may be determined by the appropriate authority from time to time;
  - e) to discharge from time to time such other acts, duties and functions as may be assigned by the Board of Directors or prescribed under the Companies Act, 2013 or any other applicable law and Rules made thereunder.

The Company has adopted the Policy to determine qualifications, positive attributes and independence of Directors and evaluation of the Board, Committees and individual Directors; the 'Policy on Remuneration of Directors' and 'Remuneration Policy for Key Managerial Personnel and Employees' as required under sub-section (3) of Section 178 of the Companies Act, 2013. The 'Policy on Remuneration of Directors' and 'Remuneration Policy for Key Managerial Personnel and Employees' of the Company are appended as **Annexure I** to this Report in accordance with the provisions of sub-section (4) of Section 178 of the Companies Act, 2013.

Besides the aforesaid Board Committees, the Company also has an Investment Committee, a Valuation Committee and a Risk Management Committee. These are the committees of management formed in compliance of SEBI Regulations applicable to the Asset Management Companies.

### **PERFORMANCE EVALUATION OF THE BOARD**

Pursuant to the provisions of the Companies Act, 2013, the Board has adopted the Evaluation Framework and carried out an annual performance evaluation of its own performance, the performance of directors individually as well as the evaluation of the working of Committees of the Board.

Well-defined and structured questionnaires were prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, areas of responsibility, execution and performance of specific duties, obligations, governance and compliance perspectives etc.

The evaluation process involves self-evaluation by the Board members and subsequent assessment by the Nomination and Remuneration Committee and the Board of Directors based on the inputs received from all the Directors through the questionnaires. In general, the Directors have expressed their satisfaction with the evaluation process.

### **DECLARATION BY INDEPENDENT DIRECTORS**

The Company has received declarations from the Independent Directors confirming that they fulfil the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013.

### **MEETING OF INDEPENDENT DIRECTORS**

The Independent Directors met once during the year under review. The meeting was conducted in an informal manner without the presence of the Managing Director, the Non-Executive Non-Independent Director and any of the Key Managerial Personnel.

### **PARTICULARS OF REMUNERATION**

The Company had two employees who were in receipt of remuneration of not less than Rs. 5,00,000 per month during part of the year under review.

Details of employees as required under the provisions of Section 197 of the Companies Act, 2013 read with Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in **Annexure II**.

## EXTRACT OF THE ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on March 31, 2016 forms part of this Report and is appended as **Annexure III**.

## HUMAN RESOURCES

Your Company strongly believes in maintaining the dignity of all its employees, irrespective of their gender or seniority. Discrimination and harassment of any type are strictly prohibited. The Company has taken the necessary steps to enhance awareness amongst its employees in respect of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder. During the year, the Company has not received any complaints of sexual harassment.

As on March 31, 2016, the Company had 25 permanent employees.

## CODE OF CONDUCT FOR CORPORATE GOVERNANCE

The Company has adopted Code of Conduct for Corporate Governance ("the Code") for its Senior Management and Employees. The Code enunciates the underlying principles governing the conduct of the Company's business and seeks to reiterate the fundamental precept that good governance must and would always be an integral part of the Company's ethos.

## AUDITORS

### Statutory Auditors

Messrs. B. K. Khare & Co., Chartered Accountants [ICAI Firm Registration No. 105102W], hold the office of the Statutory Auditors of the Company for a period of 5 years from the conclusion of the Annual General Meeting (AGM) held on August 7, 2014 till the conclusion of the Sixth AGM of the Company to be held in the year 2019. The appointment is subject to the ratification of their appointment by shareholders at every Annual General Meeting.

As required under the provisions of Section 139(1) read with Section 141 of the Companies Act, 2013, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, to the effect that their appointment as the Statutory Auditors, if ratified by the shareholders, would be in conformity of the criteria specified in the said Sections.

Pursuant to the recommendation of the Audit Committee, the Board of Directors recommend to the shareholders ratification of the appointment of Messrs. B. K. Khare &

Co., Chartered Accountants as the Statutory Auditors of the Company from the forthcoming Annual General Meeting (Third AGM) till the conclusion of the next Annual General Meeting (Fourth AGM) of the Company.

The Report of Statutory Auditors forms part of this Annual Report. There is no qualification, reservation or adverse remark in the Auditors' Report.

During the year under review, there were no frauds on or by the Company which were required to be reported by the Statutory Auditors of the Company to the Central Government.

### Secretarial Auditor

The Board of Directors of the Company appointed Ms. Neha Shroff, Practicing Company Secretary, to conduct the Secretarial Audit of the Company, pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. In accordance with the provisions of sub-section (1) of Section 204, the Secretarial Audit Report for the Financial Year 2015-16 furnished by the Secretarial Auditor is appended to this Report as **Annexure IV**.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

## ACCOUNTING STANDARDS FOLLOWED BY THE COMPANY

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the Act) read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Act.

## INTERNAL FINANCIAL CONTROL SYSTEM

Your Company has in place, adequate internal financial controls with reference to financial statements, commensurate with the size, scale and nature of its operations.

The Management is responsible for establishing and maintaining internal controls for financial reporting. The effectiveness of the internal control systems of the Company pertaining to financial reporting is reviewed by the Statutory Auditors and the Audit Committee to ensure that Financial Statements of the Company present a true and fair view of the state of affairs of the Company.

During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

### **INTERNAL AUDITORS**

In compliance with the provisions of Section 138 of the Companies Act, 2013 read with Rule 13 of the Companies (Accounts) Rules, 2014, Messrs. HariBhakti & Co. LLP, Chartered Accountants were appointed as the Internal Auditors of the Company during the year under review. The report(s) of the Internal Auditors are reviewed by the Audit Committee of the Board and wherever deemed necessary, the systems are strengthened and corrective actions taken.

### **PARTICULARS OF LOANS, GUARANTEES, SECURITIES, INVESTMENTS**

During the year under review, the Company has not made investments under Section 186 of the Companies Act, 2013.

The Company has not made any loan / advance in the nature of loan which is otherwise required to be disclosed in the annual accounts of the Company, the Holding Company (Mahindra & Mahindra Financial Services Limited) or the ultimate Holding Company (Mahindra & Mahindra Limited), Pursuant to the provisions of Regulation 34(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Schedule V annexed to the said Regulations.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013, your Directors confirm that:

- i. In the preparation of the annual accounts for the Financial Year ended March 31, 2016, the applicable accounting standards have been followed and there are no material departures in adoption of these standards.
- ii. 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 on March 31, 2016 and of the loss of the Company for the year ended on that date.
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The Directors have prepared the annual accounts for Financial Year ended March 31, 2016 on a 'going concern' basis.

v. The Directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

### **PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SECTION 188(1)**

During the year under review, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material. Pursuant to provisions of Section 134 (3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013.

### **MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY**

There have been no material changes and commitments 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 this Report.

### **PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are given in **Annexure V**.

### **RISK MANAGEMENT POLICY**

A Risk Management Policy for the proposed Asset Management Business is approved by the Board of Directors and is in place. The Risk Management Committee will design a well defined risk management framework and ensure its ongoing implementation. During the year under review, the Company did not commence any operations.

### **SUBSIDIARIES**

The Company did not have any subsidiary as on March 31, 2016 nor during the Financial Year ended on that date.

## PUBLIC DEPOSITS

The Company has not accepted any deposits from public or its employees during the year under review. The Company did not have any deposits falling under Rule 2(i) (c) of the Companies (Acceptance of Deposits) Rules, 2014, during the year under consideration. During the year under review, there were no deposits which were not in compliance with the requirements of Chapter V of the Companies Act, 2013.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

## GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as, during the year under review, there were no transactions/ events pertaining to these items and / or they were not applicable:

- ◆ Payment of Remuneration or Commission to the Managing Director or the Whole Time Director of the Company from its Holding Company or from any of its subsidiaries.

- ◆ Details about the policy developed and implemented by the Company on Corporate Social Responsibility initiative taken during the year.

For and on behalf of the Board

**V. Ravi**  
Chairman

Registered Office:  
"A" Wing, 4th Floor,  
Mahindra Towers, 570 P.B. Marg,  
P. K. Kurne Chowk, Worli  
Mumbai – 400018.  
CIN : U65900MH2013PTC244758  
Tel. : 91 22 6652 6000 Fax: 91 22 2498 4170  
Email : mamc@mahindra.com  
Website : www.mahindramutualfund.com

Mumbai, April 12, 2016

**ANNEXURE I TO THE DIRECTORS' REPORT**

**Policy on Remuneration of Directors and Remuneration Policy for Key Managerial Personnel and Employees of the Company**

**POLICY ON REMUNERATION OF DIRECTORS**

**Prelude**

The Company will be engaged as an investment manager to the Mahindra Mutual Fund and is currently in the process of obtaining regulatory approval for mutual fund products from the Securities and Exchange Board of India (SEBI).

This Policy shall be effective from the Financial Year 2015 - 16.

**Intent of the Policy**

The intent of the Remuneration Policy of Directors of Mahindra Asset Management Company Private Limited ("the Company") is to focus on enhancing the value and to attract and retain quality individuals with requisite knowledge and excellence as Executive and Non-Executive Directors for achieving objectives of the Company and to place the Company in a leading position.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy ensure that -

- a) 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;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) 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.

While deciding the policy on remuneration of Directors, the Committee may consider, amongst other things, the duties and responsibilities cast by the Companies Act, 2013, various Codes of Conduct, Articles of Association, restrictions on the remuneration to Directors as also the remuneration drawn by Directors of other companies in the industry, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company etc. The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act, 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

**Directors**

The Managing Director /Executive Director is an executive of the Company and draws remuneration from the Company. The Non-Executive and Independent Directors may receive sitting fees for attending the meetings of the Board and the Committees thereof, if fixed by the Board of Directors

from time to time subject to statutory provisions. The Non-Executive and Independent Directors would be entitled to the remuneration under the Companies Act, 2013. A Non-Executive Non-Independent Director who receives remuneration from the Holding Company or a Group Company will not be paid any sitting fees or any remuneration. In addition to the above, the Directors are entitled for reimbursement of expenses incurred in discharge of their duties. Payment of Remuneration to Nominee Directors, if any, shall be governed by the agreement with the Financial Institution/Bank appointing the Nominee Director and by the Articles of Association of the Company.

The Managing Director /Executive Director and other eligible Director(s) as per extant statutory provisions may be granted Employees Stock Options, Stock Appreciation Rights or any other Share based Employee benefits pursuant to any scheme that may be approved by the Board of Directors and Shareholders of the Company subject to such other approvals as may be required.

Non Executive Directors may be paid remuneration either by way of monthly payment or at a specified percentage of net profits of the Company or partly by one way and partly by another, subject to the provisions of Companies Act, 2013.

The NRC while determining the remuneration shall ensure that the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the persons to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC shall also ensure a balance between fixed and performance-linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC shall consider that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

**Managing Director /Executive Director**

The term of office and remuneration of Managing Director/Executive Director are subject to the approval of the Board of Directors, Shareholders and the Central Government, as may be required, and the limits laid down under the Companies Act, 2013, from time to time.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, subject to the requisite approvals, remuneration to its Managing Director/Executive Director in accordance with the provisions of Schedule V of the Companies Act, 2013.

If any Managing Director /Executive Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

Remuneration of the Managing Director/Executive Director reflects the overall remuneration philosophy and guiding principle of the Company. While considering the appointment and remuneration of Managing Director/ Executive Director, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration for Managing Director/Executive Director is designed subject to the limits laid down under the Companies Act, 2013, to remunerate them fairly and responsibly. The remuneration to the Managing Director/Executive Director comprises of salary, perquisites and performance based incentive apart from retirement benefits like Provident Fund, Superannuation, Gratuity, Leave Encashment, etc., as per the Rules of the Company. Salary is paid within the range approved by the Shareholders. Increments are effective annually, as recommended / approved by the NRC/ Board. In terms of the Shareholders' approval, the Commission may be paid to Managing Director / Executive Director in any Financial Year at a rate not exceeding 1/4% (one fourth percent) per annum of the profits of the Company computed in accordance with the applicable provisions of the Companies Act, 2013 as may be recommended by NRC and approved by the Board.

The total remuneration will have a flexible component with a bouquet of allowances to enable the Managing Director/ Executive Director to choose the allowances as well as the quantum based on laid down limits as per the Company policy. The flexible component can be varied only once annually.

The actual pay-out of variable component of the remuneration will be a function of individual performance as well as business performance. Business performance is evaluated using a Balanced Score Card (BSC) while individual performance is evaluated on Key Result Areas (KRA). Both the BSC and KRAs are evaluated at the end of the fiscal year to arrive at the BSC rating of the business and performance rating of the individual.

Remuneration also aims to motivate the Personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

The Managing Director/Executive Director is entitled to customary non-monetary benefits such as company cars, health care benefits, leave travel, communication facilities, etc., as per the policies of the Company. The Managing Director / Executive Director is entitled to grant of Stock Options as per the approved Stock Options Schemes of the Company from time to time.

### Disclosures

Information on the total remuneration of members of the Company's Board of Directors, Managing Director / Executive Director and Key Managerial Personnel/Senior Management Personnel may be disclosed in the Board's Report as per statutory requirements laid down in this regard.

### REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND EMPLOYEES

This Policy shall be effective from the Financial Year 2015 - 16.

### Objective

To establish guidelines for remunerating employees fairly and in keeping with Statutes.

### Definition(s)

"Key Managerial Personnel" (KMP) as defined in section 2(51) of the Companies Act, 2013 means:

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

### Standard

The broad structure of compensation payable to employees is as under:

- ◆ Fixed pay which has components like basic salary & other allowances / flexi pay as per the grade where the employees can choose allowances from bouquet of options.
- ◆ Variable pay (to certain grades) in the form of annual / half yearly performance pay based on Key Result Areas agreed – as applicable.
- ◆ Incentives, either monthly or quarterly, based on targets in the lower grades.
- ◆ Retirals such as Provident Fund, Gratuity & Superannuation (for certain grades).
- ◆ Benefits such as Employee Stock Option Scheme, car scheme, medical & dental benefit, loans, insurance etc. as per grades.

### Increments

- ◆ Salary increase is given to eligible employees based on position, performance & market dynamics as decided from time to time.

**ANNEXURE II TO THE DIRECTORS' REPORT**

Additional Information as required under Section 197(12) of the Companies Act, 2013 and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of Directors' Report for the year ended March 31, 2016.

Name of Employee	Designation	Gross Remuneration (subject to income-tax) (Rs. in Lacs)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Designation and Organisation
Mr. Ashutosh Bishnoi	Managing Director and Chief Executive Officer	52.52	B.Com., M.B.A.	33	55	01.09.2015	L & T Investment Management Limited Designation: CEO
Mr. Rahul Pal	Head – Fixed Income	41.75	B.Com (H), A.C.A.	15	39	21.09.2015	Taurus Asset Management Company Limited Designation: Head – Fixed Income

**Notes:**

- In case of Mr. Rahul Pal nature of employment is permanent, subject to termination on three months' notice on either side. The appointment of Mr. Ashutosh Bishnoi as an employee is effective from September 1, 2015 and is permanent in nature, subject to termination on three months' notice on either side. The appointment of Mr. Ashutosh Bishnoi as Managing Director & Chief Executive Officer is effective from October 12, 2015 and is for a period of three years from that date. Remuneration paid to Mr. Ashutosh Bishnoi is as the Managing Director & Chief Executive Officer.
- Both the employees mentioned above were appointed during the F.Y. 2015-16 and hence were employed for part of the year.
- Terms and conditions of employment are as per Company's Rules.
- Information about qualifications and last employment is based on particulars furnished by the concerned employee.
- None of the employees mentioned above is related to any Director of the Company.
- No employee was in receipt of remuneration more than the remuneration drawn by the Managing Director and holds by himself or alongwith his spouse and dependent children 2% or more of the equity shares of the Company.
- Remuneration means Remuneration as defined in section 2(78) of the Companies Act, 2013.

For and on behalf of the Board

Mumbai, April 12, 2016

**V. Ravi**  
Chairman

## ANNEXURE III TO THE DIRECTORS' REPORT

## FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on March 31, 2016

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

## I. REGISTRATION AND OTHER DETAILS

i. CIN	U65900MH2013PTC244758
ii. Registration Date	June 20, 2013
iii. Name of the Company	Mahindra Asset Management Company Private Limited
iv. Category / Sub-Category of the Company	Public Limited Company (being a subsidiary of a Public Limited Company)
v. Address of the Registered office and contact details	4th Floor, Mahindra Towers, A Wing, P. B. Marg, Worli, Mumbai - 400018. Tel.: 91 22 6652 6000 Fax: 91 22 2498 4170
vi. Whether listed company Yes / No	No
vii. Name, Address and Contact details of Registrar and Transfer Agent, if an	N.A.

## 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.	N.A.*	N.A.*	N.A.*

\*The company has not commenced any business activities during the year under consideration.

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited Gateway Building, Apollo Bunder, Mumbai - 400 001.	L65990MH1945PLC004558	Ultimate Holding Company	100*	Section 2(46)
2.	Mahindra & Mahindra Financial Services Limited Gateway Building, Apollo Bunder, Mumbai - 400 001.	L65921MH1991PLC059642	Holding Company	100	Section 2(46)

\*There is no direct shareholding in the Company by Mahindra &amp; Mahindra Limited, the ultimate Holding Company. Shares are held through Mahindra &amp; Mahindra Financial Services Limited, subsidiary of Mahindra &amp; Mahindra Limited.

## 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	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	10,50,000	10,50,000	100	-	6,05,50,000	6,05,50,000	100	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1)</b>	<b>-</b>	<b>10,50,000</b>	<b>10,50,000</b>	<b>100</b>	<b>-</b>	<b>6,05,50,000</b>	<b>6,05,50,000</b>	<b>100</b>	<b>-</b>

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) Foreign</b>									
a) NRI Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2)</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	-	<b>10,50,000</b>	<b>10,50,000</b>	<b>100</b>	-	<b>6,05,50,000</b>	<b>6,05,50,000</b>	<b>100</b>	-
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
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)	-	-	-	-	-	-	-	-	-
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>10,50,000</b>	<b>10,50,000</b>	<b>100</b>	-	<b>6,05,50,000</b>	<b>6,05,50,000</b>	<b>100</b>	-

**(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.	Mahindra & Mahindra Financial Services Limited	10,49,998	100	-	6,05,49,998	100	-	-
2.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. Ramesh Iyer	1	-	-	1	-	-	-
3.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. V. Ravi	1	-	-	1	-	-	-
<b>Total</b>		<b>10,50,000</b>	<b>100</b>	<b>-</b>	<b>6,05,50,000</b>	<b>100</b>	<b>-</b>	<b>-</b>

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

	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
Mahindra & Mahindra Financial Services Limited. along with joint holders At the beginning of the year	10,50,000	100	6,05,50,000	100
Date wise increase / decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	<b>Reason for increase / decrease</b>	<b>Date</b>	<b>No. of shares</b>	<b>% increase/ decrease</b>
	Allotment on a Rights basis	26.08.2015	5,25,00,000	Nil
	Allotment on a Rights basis	15.03.2016	70,00,000	Nil
	<b>Total</b>	<b>-</b>	<b>5,95,00,000</b>	<b>NIL</b>
At the end of the year	10,50,000	100	6,05,50,000	100

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

For Each of the Top 10 Shareholders	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				
Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer /bonus/ sweat equity etc):	Not Applicable			
At the End of the year ( or on the date of separation, if separated during the year)				

**(V) Shareholding of Directors and Key Managerial Personnel**

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	<sup>(1)</sup> Mr. Ramesh Iyer - Director (jointly with Mahindra & Mahindra Financial Services Ltd.)				
	At the beginning of the year	1	-	1	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	1	-	1	-
2	Mr. V. Ravi - Director (jointly with Mahindra & Mahindra Financial Services Ltd.)				
	At the beginning of the year	1	-	1	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	1	-	1	-
3	<sup>(2)</sup> Mr. Ashutosh Bishnoi - Managing Director & Chief Executive Officer				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	-	-	-	-
4	Mr. Gautam Divan - Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	-	-	-	-
5	Mr. Sethu Gururajan - Director				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	-	-	-	-

Sl. No.	For Each of the Directors and KMP	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
6	<sup>(3)</sup> Mr. Rajesh Vasudevan – Chief Financial Officer				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	-	-	-	-
7	Mr. Abhijeet Gogate – Company Secretary				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			N.A.	
	At the End of the year	-	-	-	-

Notes :

- (1) Mr. Ramesh Iyer has resigned as Chairman and member of the Board with effect from October 12, 2015.
- (2) Mr. Ashutosh Bishnoi was appointed as the Managing Director & Chief Executive Officer of the Company with effect from October 12, 2015.
- (3) Mr. Rajesh Vasudevan was appointed as the Chief Financial Officer of the Company with effect from March 14, 2016.

## (V) INDEBTEDNESS

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>	-	-	-	-
♦ Addition	-	-	-	-
♦ Reduction	-	-	-	-
<b>Net Change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year</b>	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-

**(VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Rs. in lacs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD			Total Amount
		Managing Director – Mr. Ashutosh Bishnoi (Managing Director & Chief Executive Officer)	Whole-time Director	Manager	
1.	Gross salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	52.52	-	-	52.52
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-	-	-
(c)	Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - other, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
	<b>Total (A)</b>	<b>52.52</b>			<b>52.52</b>
	<b>Ceiling as per the Act</b>				<b>56.39*</b>

**B. Remuneration to other directors:**

(Rs. In Lacs)

Sl. No.	Particulars of Remuneration	Names of Directors		Total Amount
<b>1.</b>	<b>Independent Directors</b>	<b>Mr. Gautam Divan</b>	<b>Mr. Sethu Gururajan</b>	
	Fee for attending board / committee meetings	<b>1.20</b>	<b>1.20</b>	<b>2.40</b>
	Commission	-	-	-
	Others	-	-	-
	<b>Total (1)</b>	<b>1.20</b>	<b>1.20</b>	<b>2.40</b>
<b>2.</b>	<b>Other Non-Executive Directors</b>	<b>Mr. Ramesh Iyer#</b>	<b>Mr. V. Ravi</b>	
	Fee for attending board / committee meetings	-	-	-
	Commission	-	-	-
	Others	-	-	-
	<b>Total (2)</b>	-	-	-
	<b>Total (B)=(1+2)</b>	<b>1.20</b>	<b>1.20</b>	<b>2.40</b>
	<b>Total Managerial Remuneration [(A) + (B)]</b>			<b>54.92</b>
	Overall Ceiling as per the Act**			

# Mr. Ramesh Iyer has resigned as Chairman and member of the Board with effect from October 12, 2015.

\* For the remuneration paid to the Managing Director during FY 2015-16, ceiling of Rs. 56.39 Lacs is applicable. The ceiling is calculated as per the Provisions of Section 197 read with Section II of Schedule V of the Companies Act, 2013.

\*\* Pursuant to the Provisions of Section 197(2) of the Companies Act, 2013, the overall Ceiling on the remuneration to directors is exclusive of sitting fees paid to directors for attending the meetings of the Board or committees thereof. The sitting fees paid to directors is within the limit prescribed therefore under Section 197(5) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

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

**(VII) PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty			NONE		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			NONE		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			NONE		
Punishment					
Compounding					

**ANNEXURE IV TO THE DIRECTORS' REPORT**

**SECRETARIAL AUDIT REPORT**

**[Pursuant to Section 204(1) of the Companies Act, 2013 read with Rule 9 of the Companies(Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

**For the Financial Year ended March 31, 2016**

To,  
The Members,  
Mahindra Asset Management Company Private Limited  
4th Floor, A-Wing, Mahindra Towers,  
Dr. G. M. Bhosale Marg, P.K. Kurne Chowk,  
Worli, Mumbai- 400 018.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Mahindra Asset Management Company Private Limited (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on March 31, 2016 in a manner that provided me reasonable basis for evaluating the corporate conduct / statutory compliances and expressing my opinion thereon.

On the basis of the above and on my verification of documents, books, papers, minutes, 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 the Audit, I hereby report that in my opinion, the Company has, during the period covered under the Audit as aforesaid, 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, minute books, forms and returns filed and other records maintained by the Company for the financial year ended March 31, 2016 according to the provisions of the Companies Act, 2013 and the Rules made there under.

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

The Company being an unlisted company, Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992 does not apply. However, during the period under review, the company has made an application to Securities and Exchange Board of India (hereinafter referred to as "SEBI") for grant of registration to Mahindra Mutual Fund in accordance with the Securities and Exchange Board of India (Mutual

Fund) Regulations, 1996 as amended from time to time. Consequently, the Company was granted Registration Certificate by SEBI vide its letter dated February 4, 2016. Further, the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules made there under do not apply to the company.

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

I further report that

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

Adequate notice was given to all Directors at least seven days in advance to schedule the Board Meetings. Agenda and detailed notes on Agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the Agenda items before the Meeting and for meaningful participation at the Meeting. Majority decision is carried through and recorded as part of the minutes. I understand that there were no dissenting members' views requiring to be captured in the minutes.

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

I further report that during the period covered under the Audit, the Company has made the following specific actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc:

- i) Members, in their Extraordinary General Meeting held on June 15, 2015 have consented to increase the Authorised Capital of the Company

from Rs.5,00,00,000 (Rupees Five Crores only) to Rs.76,00,00,000 (Rupees Seventy-Six Crores only) pursuant to Section 61 and all other applicable provisions of the Companies Act, 2013 (the 'Act') read with Companies (Share Capital and Debentures) Rules, 2014. The Members have also given their consent for amendment of clause V (A) of the Memorandum of Association and Clause 2(A) of the Articles of Association w.r.t. the increase in the Authorised Capital of the Company as referred above.

- ii) Members, in their Annual General Meeting held on July 8, 2015 have given their consent to adopt new set of Articles of Association of the Company in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.
- iii) The Board of Directors in their meeting dated July 8, 2015 resolved to offer/issue/allot 5,67,00,000 Equity Shares of Rs. 10 each for cash at par

aggregating Rs.56,70,00,000 on a rights basis to the existing Members of the Company, in the ratio of 54 new Equity Shares for every 1 Equity Share held in the Company. Consequently, 5,25,00,000 equity shares were allotted raising the paid up capital of the Company to Rs. 53,55,00,000.

- iv) The Board of Directors in their meeting dated January 11, 2016 resolved to offer/issue/allot 1,78,50,000 Equity Shares of Rs.10 each for cash at par aggregating Rs.17,85,00,000 on a rights basis to the existing Members of the Company, in the ratio of 1 new Equity Share for every 3 Equity Shares held in the Company. Consequently, 70,00,000 equity shares were allotted raising the paid up capital of the Company to Rs. 60,55,00,000.

**Neha Shroff**

Company Secretary  
(ACS 17456, CP -7302)

Place: Mumbai  
Date : April 12, 2016

To,  
The Members,  
Mahindra Asset Management Company Private Limited  
4th Floor, A-Wing, Mahindra Towers,  
Dr. G. M. Bhosale Marg, P.K. Kurne Chowk,  
Worli, Mumbai- 400 018.

My Secretarial Audit 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 Books of Accounts of the company.
4. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
5. 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.

**Neha Shroff**

Company Secretary  
(ACS 17456, CP -7302)

Place: Mumbai  
Date : April 12, 2016

**ANNEXURE V TO THE DIRECTORS' REPORT**

Information pursuant to section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014, in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo.

<b>(A) Conservation of energy -</b>		
i	the steps taken or impact on conservation of energy.	The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption
ii	the steps taken by the company for utilising alternate sources of energy.	The operations of your company are not energy intensive.
iii	the capital investment on energy conservation equipments.	Nil
<b>(B) Technology absorption -</b>		
i	the efforts made towards technology absorption.	None
ii	the benefits derived like product improvement, cost reduction, product development or import substitution.	Not applicable
iii	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) -	
	a) the details of the technology imported	None
	b) the year of import	Not applicable
	c) whether the technology has been fully absorbed	Not applicable
	d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and	Not applicable
iv	the expenditure incurred on Research and Development.	Nil
(C)	Foreign exchange earnings and Outgo – The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.	There were no foreign exchange earnings or outgo during the year under consideration.

For and on behalf of the Board

**V. Ravi**  
Chairman

Place: Mumbai  
Date : April 12, 2016

# Independent Auditor's Report

To the Members of Mahindra Asset Management Company Private Limited

## Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Mahindra Asset Management Company Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. 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 standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. 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.

5. We conducted our audit in accordance with the Standards on Auditing 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.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 the 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.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

## Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the

information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. 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, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of written representations received from the directors as at March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the

Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.

- 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 (as amended), 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.
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts. The Company did not have any derivative contracts.
  - iii. The Company has been in existence for a period less than seven years and hence there is no requirement to transfer any amounts to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number: 044784

Place : Mumbai  
Date : April 12, 2016

# Annexure I to the Auditor's Report

Referred to in paragraph 9 of our report of even date on the standalone financial statements of **Mahindra Asset Management Company Private Limited** for the year ended March 31, 2016

## Annexure to the Auditor's Report referred to in our report of even date:

- I. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) These fixed assets were physically verified by the Management during the year at reasonable intervals and discrepancies noticed during the verification were not material and have been properly dealt with in the books of accounts.
- (c) The Company has no immovable properties and hence Clause 3(i)(c) is not applicable to the company
- II. On facts, Clause 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- III. No parties are covered in the register maintained under section 189 of Companies Act, 2013 by the Company. Therefore, clause 3(iii) (a), (b) & (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us the provisions of section 186 of the Companies Act, 2013 have been complied with. During the year, the Company has not provided loan to any of its directors', therefore, provisions of section 185 were not applicable during the year.
- V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. The clause 3(v), therefore is not applicable to the company.
- VI. On facts, clause 3(vi) relating to maintenance of cost records is not applicable to the company.
- VII. (a) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other applicable statutory dues with the appropriate authorities.
- (b) According to the records of the company and information and explanations given to us there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority.
- VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or bank or debenture holders as at the Balance Sheet date.
- IX. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans.
- X. On the basis of our examination of the relevant records of the Company, carried out in accordance with generally accepted auditing practices and according to the information and explanations given to us, no fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year.
- XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

- XII. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.
- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- XV. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- XVI. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B. K. Khare & Co.**

Chartered Accountants

Firm's Registration Number 105102W

**Padmini Khare Kaicker**

Partner

Membership Number: 044784

Place : Mumbai

Date : April 12, 2016

## Annexure to the Independent Auditor's Report

of even date on the Standalone Financial Statements of **Mahindra Asset Management Company Private Limited**

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

We have audited the internal financial controls over financial reporting of **Mahindra Asset Management Company Private Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

### **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 operate 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.

### **Auditors' 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, issued by the Institute of Chartered Accountants of India ("ICAI") and deemed to be prescribed 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 ICAI. 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 Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being

made only in accordance with authorisations of management and directors of the company; and

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

### Inherent Limitations of Internal Financial Controls over Financial Reporting

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

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number: 044784

Place : Mumbai  
Date : April 12, 2016

# Balance Sheet

as at March 31, 2016

(In Rupees)

Particulars	Note No.	As at March 31	
		2016	2015
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	1	60,55,00,000	1,05,00,000
b) Reserves and Surplus	2	(4,51,28,976)	(6,26,818)
		<b>56,03,71,024</b>	<b>98,73,182</b>
<b>3) Non-current liabilities</b>			
a) Long term provisions	3	6,12,018	-
<b>2) Current liabilities</b>			
a) Trade payables	4	15,76,223	16,854
b) Other current liabilities	5	17,37,614	-
c) Short term provisions	6	80,35,504	-
		<b>1,13,49,341</b>	<b>16,854</b>
<b>TOTAL</b>		<b>57,23,32,383</b>	<b>98,90,036</b>
<b>II. ASSETS</b>			
<b>1) Non-current assets</b>			
a) Fixed Assets	7		
i) Tangible assets		28,96,004	-
b) Long-term loans and advances	8	23,12,500	23,12,500
		<b>52,08,504</b>	<b>23,12,500</b>
<b>2) Current assets</b>			
a) Current investments	9	55,69,66,355	74,80,386
b) Cash and bank balance	10	8,96,363	75,369
c) Short-term loans and advances	11	55,00,000	-
d) Other current assets	12	37,61,161	21,781
		<b>56,71,23,879</b>	<b>75,77,536</b>
<b>TOTAL</b>		<b>57,23,32,383</b>	<b>98,90,036</b>
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred in our report of even date

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

Place : Mumbai  
Date : April 12, 2016

For and on behalf of the Board

**V. Ravi**  
Chairman

**Gautam Divan**  
Director

**Rajesh Vasudevan**  
Chief Financial Officer

**Ashutosh Bishnoi**  
Managing Director & CEO

**Sethu Gururajan**  
Director

**Abhijeet Gogate**  
Company Secretary

# Statement of Profit and Loss

for the year ended March 31, 2016

(In Rupees)

Particulars	Note No.	Year ended March 31	
		2016	2015
<b>I. Revenue from operations</b>		-	-
<b>II. Other income</b>	13	1,19,57,758	80,386
<b>III. Total Revenue (I + II)</b>		<b>1,19,57,758</b>	<b>80,386</b>
<b>IV. Expenses:</b>			
Employee benefits expense	14	3,56,99,859	-
Depreciation and amortization expense		3,57,518	-
Other expenses	15	2,04,02,539	6,57,986
<b>Total expenses</b>		<b>5,64,59,916</b>	<b>6,57,986</b>
<b>V. Profit before tax (III - IV)</b>		<b>(4,45,02,158)</b>	<b>(5,77,600)</b>
<b>VI. Tax expense:</b>			
(1) Current tax		-	-
(2) Deferred tax		-	-
<b>VII. Profit/ (Loss) for the period (V - VI)</b>		<b>(4,45,02,158)</b>	<b>(5,77,600)</b>
<b>VIII. Earnings per equity share (Rupees) :</b>	16		
(1) Basic		(1.35)	(0.01)
(2) Diluted		(1.35)	(0.01)
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Statement of Profit & Loss  
This is the Statement of Profit & Loss referred in our report of even date

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

Place : Mumbai  
Date : April 12, 2016

For and on behalf of the Board

**V. Ravi**  
Chairman

**Ashutosh Bishnoi**  
Managing Director & CEO

**Gautam Divan**  
Director

**Sethu Gururajan**  
Director

**Rajesh Vasudevan**  
Chief Financial Officer

**Abhijeet Gogate**  
Company Secretary

# Cash Flow Statement

for the year ended March 31, 2016

(In Rupees)

Particulars	Year ended March 31	
	2016	2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies	(4,45,02,158)	(5,77,600)
Add/(Less):		
Non Cash Expenses :		
Depreciation	3,57,518	-
Amortisation on Intangible Assets	-	-
Provision for Non-Performing Assets (net)	-	-
Employee Compensation Expense on account of ESOS	-	-
	<b>3,57,518</b>	-
Add: Items considered separately:		
Income on investing activities	-	-
Interest expense	-	-
(Profit)/Loss on sale of assets	-	-
(Profit)/Loss on sale of Investment	-	-
	-	-
<b>Operating profit before working capital changes</b>	<b>(I) (4,41,44,640)</b>	<b>(5,77,600)</b>
Add / Less:		
(Increase)/Decrease in interest accrued others	(2,51,296)	-
(Increase)/Decrease in Loans & Advances	-	-
(Increase)/Decrease in Current Assets	(34,88,084)	(19,927)
	<b>(37,39,380)</b>	<b>(19,927)</b>
Add: Increase in Current Liabilities & Provisions	1,19,44,505	-
	<b>(II) 82,05,125</b>	<b>(19,927)</b>
Cash generated from operations	<b>(I+II) (3,59,39,515)</b>	<b>(5,97,527)</b>
Advance taxes paid	-	-
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>(3,59,39,515)</b>	<b>(5,97,527)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(32,53,522)	-
Sale of Fixed Assets	-	-
Purchase of Investments	(56,24,66,355)	(86,80,386)
Sale of Investments	74,80,385	12,00,000
Purchase of Software	-	(23,12,500)
Income received on investments	-	-
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(55,82,39,492)</b>	<b>(97,92,886)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares	59,50,00,000	1,00,00,000
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>59,50,00,000</b>	<b>1,00,00,000</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>8,20,993</b>	<b>(3,90,413)</b>
<b>CASH AND CASH EQUIVALENTS AS AT:</b>		
Beginning of the period	75,369	4,65,782
<b>End of the period</b>	<b>8,96,363</b>	<b>75,369</b>

Examined and found correct.

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS-3), "Cash Flow Statements"

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

Place : Mumbai  
Date : April 12, 2016

For and on behalf of the Board

**V. Ravi**  
Chairman

**Gautam Divan**  
Director

**Rajesh Vasudevan**  
Chief Financial Officer

**Ashutosh Bishnoi**  
Managing Director & CEO

**Sethu Gururajan**  
Director

**Abhijeet Gogate**  
Company Secretary

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### 1) Basis of Preparation of Accounts

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards notified under section 133 of the Companies Act 2013.

All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets & liabilities.

### 2) Use of Estimates

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including Contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

### 3) Investments

Investments held as Long –Term Investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any. Investments other than Long Term investments are classified as current Investments and valued at cost or fair value whichever is less.

Provision for diminution in value of investments is made if management perceives that there is permanent diminution in value of investments in accordance with the Accounting Standard on 'Accounting for Investments' (AS 13) notified by Companies (Accounting Standards) Rules, 2006.

### 4) Provisions and Contigent Liabilities

Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more certain future events not wholly within the control of the company.

### 5) Revenue Recognition

(i) Dividend from investments is accounted for as income when the right to receive dividend is established.

(ii) Interest income is accounted on accrual basis.

### 6) Share Issue Expenses

Expenses incurred in connection with fresh issue of share capital is charged to Profit and Loss account in the year in which they are incurred.

### 7) Fixed Assets

Fixed assets are stated at cost of acquisition (including incidental expenses), less depreciation.

### 8) Depreciation

Depreciation on fixed assets is calculated by the straight line method at rates determined with reference to the useful life of fixed assets and in the manner provided for in Schedule II to the Companies Act 2013 except:

(i) Motor cars where useful life is estimated at 4 years as against 8 years per Schedule II since the employees to whom these cars have been allotted as part of their terms of employment are entitled to change their vehicles every four years, and

(ii) Fixed assets having value individually less than Rs. 5,000 where useful life is estimated at less than one year having regard to the nature of these assets and the difficulty in estimating the useful life.

Further, residual value for all assets is considered Nil having regard to the difficulty in reasonably estimating the same and, in the case of motor cars, having regard to terms of employment under which these are allotted to the employees.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

Accordingly, useful life of assets is estimated as follows:

Employee Vehicles	- 4 Years
Computer	- 3 Years
Furniture	- 10 Years
Office Equipment	- 5 Years
Assets costing less than Rs. 5000	< 1 year

## 9) Employee Benefits

Retirement Benefits in respect of gratuity at retirement/cessation are provided for based on valuations, as the Balance Sheet date, made by independent actuaries.

### a) Defined Contribution Plans –

Company's contribution paid/payable during the year to Provident Fund, Superannuation and Labour Welfare Fund are recognised in Statement of Profit & Loss.

### b) Defined Benefit Plan –

Company's liabilities towards gratuity & leave encashment is determined using the Projected Unit Credit Method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

## 10) Impairment Assets

The carrying value of assets/cash generating units at each balance sheet date is reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life to their present value based on an appropriate discount factor

## 11) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax assets can be realized

## 12) Provisions and Contingent Liabilities

a) Provision for doubtful debts is made on the basis of standard norms and also, where required, on actual evaluation.

b) Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

## 13) Earning Per Share

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

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 14) Foreign Exchange Transactions and Translations

### a. Initial recognition:

Transactions in foreign currencies are recognised at the prevailing exchange rates between the reporting currency and a foreign currency on the transaction dates.

### b. Conversion:

i. Foreign currency monetary assets and liabilities at the year-end are translated at the year-end exchange rates and the resultant exchange differences are recognized in Statement of profit and loss.

ii. Non-monetary items, which are measured in terms of historical Cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction. Non-monetary items, which are measured at fair value or other similar valuation denominated in a foreign currency, are translated using the exchange rate at the date when such value was determined.

### c. Exchange differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

i. Realized gains and losses on settlement of foreign currency transactions are recognized in Statement of profit and loss.

ii. Foreign currency monetary assets and liabilities at the year-end are translated at the year –end exchange rate and the resultant exchange differences are recognized in the Statement of profit and loss

## 15) Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to the Statement of profit and loss. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortized over the tenure of the respective borrowings

## 16) Lease

Lease rentals in respect of assets taken on operating lease arrangements are recognized as per the terms of the lease.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## I) GENERAL INFORMATION:

The Company Mahindra Asset Management Company Private Limited ('the Company') was incorporated under the Companies Act, 1956 on June 20, 2013. The company is a subsidiary of Mahindra & Mahindra Financial Services Ltd. The company is incorporated to function as an Investment Manager to "Mahindra Mutual Fund". The company has received license from SEBI on February 4, 2016 and is awaiting product approvals from SEBI.

## II. NOTES TO THE FINANCIAL STATEMENTS :

(In Rupees)

Particulars	As at March 31	
	2016	2015
<b>1) Share Capital:</b>		
<b>Authorised Capital :</b>		
7,60,00,000 Equity shares of Rs. 10/- each (March 2015 : 50,00,000 shares)	76,00,00,000	5,00,00,000
<b>Issued Capital :</b>		
6,05,50,000 Equity shares of Rs. 10/- each (March 2015 : 10,50,000 shares)	60,55,00,000	1,05,00,000
Subscribed and Paid-up Capital :		
6,05,50,000 Equity shares of Rs. 10/- each (March 2015 : 10,50,000 shares)	60,55,00,000	1,05,00,000
<b>Total</b>	<b>60,55,00,000</b>	<b>1,05,00,000</b>

	As at March 31			
	2016		2015	
	Number of shares	Rupees	Number of shares	Rupees
<b>a) Reconciliation of the number of shares -</b>				
Number of equity shares outstanding at the beginning of the period	10,50,000	1,05,00,000	50,000	5,00,000
Add : Fresh allotment of shares during the period :				
	5,95,00,000	59,50,00,000	10,00,000	1,00,00,000
Less : Shares bought back during the period	-	-	-	-
<b>Number of equity shares outstanding</b>	<b>6,05,50,000</b>	<b>60,55,00,000</b>	<b>10,50,000</b>	<b>1,05,00,000</b>
<b>b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates -</b>				
Holding company : Mahindra & Mahindra Financial Services Limited (Equity shares of Rs. 10/- each)	6,05,50,000	60,55,00,000	10,50,000	1,05,00,000
<b>Percentage of holding (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>c) Shareholders holding more than 5 percent shares :</b>				
<b>Mahindra &amp; Mahindra Financial Services Limited</b>	<b>6,05,50,000</b>	<b>60,55,00,000</b>	<b>10,50,000</b>	<b>1,05,00,000</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 2) RESERVES & SURPLUS:

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
<b>Surplus :</b>		
Balance Profit as per last Balance Sheet	(6,26,818)	(49,218)
Add : Loss for the current period transferred from Statement of Profit & Loss	(4,45,02,158)	(5,77,600)
Balance Loss carried to Balance Sheet	(4,51,28,976)	(6,26,818)
Less : Allocations & Appropriations :	-	-
Balance Loss as at the end of the period	(4,51,28,976)	(6,26,818)
<b>Total</b>	<b>(4,51,28,976)</b>	<b>(6,26,818)</b>

## 3) LONG TERM PROVISIONS:

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Provision for employee benefits	6,12,018	-
<b>Total</b>	<b>6,20,018</b>	<b>-</b>

## 4) TRADE PAYABLES:

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Trade payables for expenses	15,76,223	16,854
<b>Total</b>	<b>15,76,223</b>	<b>16,854</b>

## 5) OTHER CURRENT LIABILITIES

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
TDS Payable	13,56,306	-
Profession Tax Payable	4,000	-
Contribution to Provident Fund Payable	3,77,308	-
<b>Total</b>	<b>17,37,614</b>	<b>-</b>

## 6) SHORT TERM PROVISIONS

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Provision for Employee Benefits	79,58,647	-
Provision for Expenses	76,857	-
<b>Total</b>	<b>80,35,504</b>	<b>-</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

**NOTE / SCHEDULE : 7 FIXED ASSETS**

(In Rupees)

Asset Description	GROSS BLOCK AT COST		DEPRECIATION & AMORTISATION		NET BLOCK	
	Balance As at April 1, 2015	"Additions for purchase / Sale / transfer"	Deductions for Sale / transfer"	Balance As at March 31, 2016	Balance As at April 1, 2015	Balance As at March 31, 2016
<b>i) Tangible Assets :</b>						
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Plant and Equipment	-	-	-	-	-	-
Computers	-	1,43,824.00	-	28,440.00	-	1,15,384.00
Furniture and Fixtures	-	98,291.00	-	1,772.00	-	96,519.00
Vehicles	-	28,01,569.00	-	3,15,998.00	-	24,85,571.00
Office Equipment	-	2,09,838.00	-	11,308.00	-	1,98,530.00
Others (specify nature)	-	-	-	-	-	-
<b>Total (i)</b>	<b>-</b>	<b>32,53,522.00</b>	<b>-</b>	<b>3,57,518.00</b>	<b>-</b>	<b>28,96,004.00</b>
<b>ii) Intangible Assets :</b>						
Computer software	-	-	-	-	-	-
Any Other (specify) *	-	-	-	-	-	-
<b>Total (ii)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (i+ii)</b>	<b>-</b>	<b>32,53,522.00</b>	<b>-</b>	<b>3,57,518.00</b>	<b>-</b>	<b>28,96,004.00</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 8) LONG-TERM LOANS AND ADVANCES

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Capital Advance	23,12,500	23,12,500
<b>Total</b>	<b>23,12,500</b>	<b>23,12,500</b>

## 9) CURRENT INVESTMENTS :

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Unquoted (at cost)		
Investment in Schemes of Mutual Fund	55,69,66,355	74,80,386
<b>Total</b>	<b>55,69,66,355</b>	<b>74,80,386</b>
<b>(Market Value Rs. 56,33,85,315)</b>		

## 10) CASH AND BANK BALANCE :

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Balance with Scheduled Banks in Current Accounts	8,96,363	75,369
<b>Total</b>	<b>8,96,363</b>	<b>75,369</b>

## 11) SHORT-TERM LOANS AND ADVANCES :

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Inter Corporate Deposits Given (MRHFL)	55,00,000	-
<b>Total</b>	<b>55,00,000</b>	<b>-</b>

## 12) OTHER CURRENT ASSETS:

(In Rupees)

Particulars	As at March 31	
	March 2016	March 2015
Interest accrued on ICD's	2,51,297	-
Deposits for office premises / others	15,25,716	-
Prepaid Expenses	3,40,623	-
Service Tax Credit	12,84,897	21,781
Other Current Assets	2,32,322	-
TDS Receivable	1,26,306	-
<b>Total</b>	<b>37,61,161</b>	<b>21,781</b>

## 13) OTHER INCOME

(In Rupees)

Particulars	Year ended March 31	
	March 2016	March 2015
Interest accrued on ICD's	2,79,219	-
Dividend Income on Mutual Funds	1,15,62,860	80,386
Profit/Premium on Sale/Redemption of Investment	1,15,679	-
<b>Total</b>	<b>1,19,57,758</b>	<b>-</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 14) EMPLOYEE BENEFIT EXPENSE

(In Rupees)

Particulars	Year ended March 31	
	March 2016	March 2015
Salary, Bonus & Incentives	3,41,70,921	-
Company's Contribution to Provident Funds. & other funds	14,89,509	-
Staff Welfare	39,429	-
<b>Total</b>	<b>3,56,99,859</b>	<b>-</b>

## 15) OTHER EXPENSES:

(In Rupees)

Particulars	Year ended March 31	
	March 2016	March 2015
Electricity Charges	12,37,170	-
Rent Office Premises	48,78,796	-
Rates and Taxes	11,200	(3,708)
Repairs and Maintenance	74,973	-
Insurance	66,821	-
Legal and Professional Charges	11,97,467	44,050
Telephone Expenses	2,17,433	-
Directors sitting fees	2,40,000	50,000
Filing fees	8,39,200	42,790
Bank Charges	2,049	213
Travelling Expenses	4,87,094	42,031
Share Issue Expenses	73,40,000	4,67,610
Auditor Expenses	35,175	15,000
General Administration Expenses	3,52,178	-
Conference & Advertisement	96,167	-
Membership and Subscription	30,32,989	-
Software License Expenses	2,93,827	-
<b>Total</b>	<b>2,04,02,539</b>	<b>6,57,986</b>

## 16) In Accordance with the Accounting Standard on "Earning Per Share" (AS 20) issued by the Institute of Chartered Accountants of India, the EPS are as follows:

(In Rupees)

Particulars	FY 2015-16	FY 2014-15
Net Profit/ (Loss) attributable to Equity Share Holders	(4,45,02,158)	(5,77,600)
Weighted Average Numbers of Shares (*)	3,30,07,313	5,38,79,500
EPS - ( Basic)	(1.35)	(0.01)
EPS - ( Diluted)	(1.35)	(0.01)

(\*) The No of shares outstanding for previous year has been adjusted on account of issue of rights shares during the current year as per guidelines of AS-20.

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 17) RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18:

### A) List of the related parties which have transactions with our Company during the year:

Holding Company :	Mahindra & Mahindra Financial Services Limited
Fellow Subsidiary Companies:	Mahindra Rural Housing Finance Limited
Key Management Personnel :	Mr Ashutosh Bishnoi

### B) Related party transactions are as under:

Sr No	Nature of Transactions		(Rs. In Lacs)		
			Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
1	Interest Income on Inter Corporate Deposits given (Gross)	Mahindra Rural Housing Financial Ltd		2.79 (0.00)	
2	Expenses				
	Salary Exp Reimbursement from parties	Mahindra and Mahindra Financial Services Ltd	9.83 (0.00)		
	Employee Benefit reimbursement to parties		1.89 (0.00)		
3	Issue of Equity Shares	Mahindra and Mahindra Financial Services Ltd	5950 (100)		
4	Purchase of Fixed Assets	Mahindra and Mahindra Financial Services Ltd	11.35 (0.00)		
5	Inter Corporate Deposits given (including interest accrued but not due)	Mahindra Rural Housing Financial Ltd		57.51 (0.00)	
6	Remuneration to KMP's	Mr Ashutosh Bishnoi			52.52 (0.00)

Notes:

- Mr Ashutosh Bishnoi has been appointed as Managing Director & CEO of the Company with Effect from October 12, 2015 on annual remuneration not exceeding Rs 252.80 lacs. The company does not have profits for the year and hence has sought Central Government approval for remuneration being paid to Managing Director as required by Sections 197 to 200 of Companies Act, 2013. The remuneration is being paid within the limit specified as per the Provisions of Schedule V of the Companies Act, 2013.
- Figures in bracket represent corresponding figure of previous year.

## 18) CONTINGENT LIABILITIES AND COMMITMENTS (to the extent not provided for)

Particulars	(In Rupees)	
	As at March 31	
	March 2016	March 2015
i. Commitments		
a) Estimated amount of contracts remaining to be executed on capital account	29,47,500	23,12,500
<b>Total</b>	<b>29,47,500</b>	<b>23,12,500</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 19) EMPLOYEE BENEFITS

### Defined Benefit Plans - As per Actuarial valuation.

	(Rs. In Lacs)					
	Gratuity (Funded)		Sick Leave (Non-Funded)		Privilege Leave (Non-Funded)	
	Mar-16	Mar-15	Mar-16	Mar-15	Mar-16	Mar-15
<b>I. Expenses recognized in the Statement of Profit and Loss Account for the year ending March 31</b>						
1. Current Service Cost	3.23	-	1.23	-	11.78	-
2. Interest Cost	0.07	-	0.01	-	0.16	-
3. Expected Return on Plan assets	0.13	-	-	-	-	-
4. Actuarial (Gains)/Losses	(3.46)	-	(0.66)	-	(8.25)	-
5. Adjustment due to change in opening balance of plan assets	0.00	-	-	-	-	-
6. Fund Amount to be transferred From MMFSL Gratuity Fund	2.14	-	-	-	-	-
7. Total Expenses	1.98	-	0.58	-	3.69	-
<b>II. Net asset/(liability) recognised in the Balance Sheet as on March 31</b>						
1. Present Value of Defined Benefit obligation as March 31	1.98	-	0.58	-	3.69	-
2. Fair value of plan assets as on March 31	6.50	-	-	-	-	-
3. Funded status (surplus/(deficit))	4.52	-	(0.58)	-	(3.69)	-
4. Net asset/(liability) as on March 31	4.52	-	(0.58)	-	(3.69)	-
<b>III. Change in the obligations during the period ending March 31</b>						
1. Present Value of Defined Benefit Obligation at the beginning of the year	-	-	-	-	-	-
2. Transfer of Projected Benefit obligation from MMFSL	2.14	-	-	-	-	-
3. Current Service Cost	3.23	-	1.23	-	11.78	-
4. Interest Cost	0.07	-	0.01	-	0.16	-
5. Actuarial (Gains)/Loss	(3.46)	-	(0.66)	-	(8.25)	-
6. Benefits Paid	-	-	-	-	-	-
7. Present Value of Defined Obligation at the end of the year	1.98	-	0.58	-	3.69	-
<b>IV.</b>						
1. Fair value of plan assets at the beginning of the year	-	-	-	-	-	-
2. Expected Return on Plan assets	0.13	-	-	-	-	-
3. Contributions by employer	6.50	-	-	-	-	-
4. Actuarial Gains/(Losses)	-0.13	-	-	-	-	-
5. Actual Benefits paid	0.00	-	-	-	-	-
6. Fair value of plan assets at the end of the period	6.50	-	-	-	-	-
<b>V. Major category of plan assets as a percentage of total plan Funded with LIC</b>	100%	-	-	-	-	-
<b>VI. Actuarial Assumptions</b>						
1. Discount Rate	8%	-	8%	-	8%	-

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

2. Expected Rate of return on plan assets	8%	-	-	-	-	-
3. Rate of Salary increase	5%	-	5%	-	5%	-
4. In-service Mortality	Indian - Assured lives Mortality (2006- 08) Ultimate	-	-	-	-	-

## Experience Adjustments:

Particulars	(Rs. In Lacs)	
	Year Ended March 31	
	March 2016	March 2015
1. Defined benefit obligations at end of the period	1.98	-
2. Plan assets at the end of period	6.50	-
3. Funded Status Surplus/ (Deficit)	4.52	-
4. Experience adjustments on plan liabilities (gain)/loss	(3.46)	-
5. Experience adjustments on plan assets gain/(loss)	-	-

Note: During the year certain employees of Mahindra & Mahindra Financial Services Limited (MMFSL) were transferred to the payroll of the Company

Signatures to Significant accounting policies and Notes to the financial statements – I and II

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

Place : Mumbai  
Date : April 12, 2016

For and on behalf of the Board

**V. Ravi**  
Chairman

**Gautam Divan**  
Director

**Rajesh Vasudevan**  
Chief Financial Officer

**Ashutosh Bishnoi**  
Managing Director & CEO

**Sethu Gururajan**  
Director

**Abhijeet Gogate**  
Company Secretary

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting their third Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2016.

## 1. FINANCIAL RESULTS

Particulars	(Amount in Rs. Lacs)	
	For the year ended March 31	
	2016	2015
Income	-	-
Less: Finance Costs	-	-
Expenditure	(4.92)	(1.18)
Depreciation and Amortisation Expenses	-	-
Total Expenses	(4.92)	(1.18)
Profit Before Tax	-	-
Less: Provision for Tax	-	-
Current Tax	-	-
Deferred Tax	-	-
Profit / (Loss) for the period	(4.92)	(1.18)
Profit / (Loss) brought forward from previous period	(2.53)	(1.35)
Transfer to Reserves	-	-

## 2. DIVIDEND

In view of losses incurred by the Company, your Directors do not recommend any dividend year under review.

## 3. RESERVES

The Company did not transfer any amount to reserves in view of the losses incurred by the Company during the year under review.

## 4. OPERATIONS

The Securities and Exchange Board of India vide its letter dated February 4, 2016 have granted the certificate of registration to 'Mahindra Mutual Fund' ("the Fund"). Your Company will be engaged as a Trustee to the Fund. During the year under review, the Company has not commenced any business activities.

The Board of Directors of the Company in their role of trustees have assured that all the systems, policies, procedures, etc., are in place and have ensured that all the start-up activities of the asset management company are in accordance with the provisions of the SEBI (Mutual Fund) Regulations, 1996.

Your Directors would like to present an overview of the Indian Economy with the backdrop of the Equity Markets, Fixed Income Markets and Global events.

## 5. INDIAN ECONOMY

Despite global turmoil and a truant monsoon, the Indian Economy registered a robust growth of 7.60 percent in the F.Y. 2015-16, thus becoming the fastest growing major economy in the world. The Budget had set fiscal deficit target of 3.90 per cent which was achieved.

With global commodity prices remaining benign, the previous year witnessed a continued moderation in general price levels. Headline Inflation based on Consumer Price Index (CPI) dipped to 4.91 percent (5.97 percent in the F. Y. 2014-2015) showing a persistent pressure on oil and commodity prices. Exchange rate movements and Current Account deficits too reflected a stable environment. The movement of exchange rate measured against the US dollar was orderly and the Rs. depreciated about 6.50 percent during the year under consideration.

The second year of the present government witnessed some policy actions like liberalization of FDI regime, including the much awaited Insurance Bill, crop insurance measures, financial inclusion through Jan Dhan yojana and transferring subsidies through the Direct Benefit Transfer (DBT) platform.

However, stretched corporate balance sheets, asset quality constraints, delays in the passage of GST Bill and non-passage of Land Acquisition Bill negatively affected the mood in equity markets.

## 6. EQUITY MARKETS

As at March 31, 2016, the S&P BSE Sensex ended 9.1% lower at 25,341 while the Nifty50 closed 8.8% lower at 7,738 compared to their respective closing figures as at March 31, 2015.

With corporate performance failing markets expectation, the year 2015-16 did not bring much happiness to investors. The momentum started to fade further after the announcement of the budget; actual earnings trajectory turned out to be flat or negative, contrasting the projections by consensus estimates.

The silver lining however was the continued flows received by domestic institutions, particularly mutual funds, from retail participants who saw great opportunity in exploiting the valuation arbitrage created from the earlier run-up in the benchmark indices and large cap stocks.

Among the Emerging Market (EM) peers, India remained in a bright spot amid a slowdown in global economy on the back of multiple rate cuts by the Reserve Bank of India (RBI) and its efforts to keep inflation under check and also due to the capital infusion by the domestic investors. Foreign institutional investors were however net sellers in Indian equities to the tune of Rs 14,172 crores, in the F. Y. 2015-16.

## 7. FIXED INCOME MARKETS

The RBI continued its accommodative stance through the last fiscal year and cut the benchmark repo rate by 75 basis points. In response to the cumulative reduction of around 125 basis points (bps) cut since January 2015, banks have reduced their median deposit rate by 72 bps and median base rates by around 60 bps.

Long term benchmark 10 year Gilt rates however eased marginally by around 30 bps and closed around 7.45 per cent. A part of the reason for the muted fall in long term gilt rates could be on account of uncertainty on US rates, and also partly because of relatively robust incremental credit off take.

## 8. GLOBAL EVENTS

China's benchmark index, Shanghai Composite, decreased by nearly 24% in this year and hit 2,655, its lowest level for the year. Meanwhile, the Greek crisis had a ripple effect on Indian equities in a reaction to the global risk-off trade. Another major event for the year was the 25 bps hike in interest

rates by the US Federal Reserve. The interest rates, which were maintained at zero, were raised for the first time in almost a decade since the Global Financial Crisis of 2008 indicating signs of a pickup in the world's biggest economy.

## 9. LOOKING AHEAD

"It is incontrovertible that India is still oozing potential. The country's long run potential growth rate is still around 8-10 per cent."

The Economic survey had portrayed a latent growth potential. The Indian Meteorological Department has predicted a normal monsoon this year. A right mix of reforms, governance and push from the rain gods may lay the foundation to a stronger economy.

## 10. OVERVIEW OF THE MUTUAL FUND INDUSTRY

During the year under consideration, the mutual fund industry continued to witness robust growth. The total Assets Under Management (AUM) as at March 31, 2016 were Rs. 12,32,824 crores as compared to Rs. 10,82,757 crores as at March 31, 2015, thereby witnessing a growth of around 14%.

What was remarkable was the resilience of the equity oriented schemes, which saw net inflows of around Rs. 93,000 crores (previous year Rs. 80,855 crores) despite a fall in the benchmark equity indices.

The value of assets held by individual investors in mutual funds also increased to Rs 6.16 lakh crores, a rise of around 10.11%.

As the nation becomes more financially inclusive and with financial literacy gaining traction, the adoption of technology lowering barriers to the last mile access, with benefits of low cost and transparency, the Indian Mutual Fund industry has the possibility of becoming the primary vehicle of savings in the capital markets.

(Data Source: Economic Survey 2015-16, AMFI, Bloomberg)

## 11. SHARE CAPITAL

During the year under review, the Company has increased its Authorised Share Capital from Rs. 5,00,000 (Rupees Five Lacs) divided into 50,000 (Fifty Thousand) Equity Shares of Rs. 10/- (Rupees Ten) each to Rs. 25,00,000 (Rupees Twenty Five Lacs) divided into 2,50,000 (Two Lacs Fifty Thousand) Equity Shares of Rs. 10/- (Rupees

Ten) each at the Extra-ordinary General Meeting held by the Company on October 21, 2015.

During the year under review, the Company allotted to existing shareholders on Rights basis 1,00,000 equity shares of Rs. 10 each aggregating to Rs. 10,00,000. Consequent upon the allotment of the Rights shares, the Company's paid-up share capital as at March 31, 2016 stood at Rs. 15,00,000 (as against Rs. 5,00,000 as at March 31, 2015) comprising of 1,50,000 Equity Shares of Rs. 10 each, fully paid-up.

During the year under consideration, the Company has neither issued shares with differential rights as to dividend, voting or otherwise nor has granted any stock options or sweat equity. As at March 31, 2016, none of the Directors of the Company holds instruments convertible in to Equity Shares of the Company.

There were no Shares having voting rights not exercised directly by the employees and for the purchase of which or subscription to which, loan was given by the Company.

## 12. DIRECTORS

The composition of the Board of Directors of your Company is in conformity with the provisions of the Companies Act, 2013, as amended from time to time and as per SEBI (Mutual Fund) Regulations, 1996, as amended from time to time. As at March 31, 2016, the Company has four directors. The Shareholders at their Extraordinary General Meeting held on September 21, 2015, have appointed Mr. Gautam Parekh (DIN: 00365417), Mr. Narendra Mairpady (DIN: 00536905) and Mr. Debabrata Bandyopadhyay (DIN: 06972463) as Independent Directors of the Company for a period of five years. These Independent Directors shall hold the office of directorship for a term of five years. None of the Independent Directors are due for re-appointment.

Mr. R. Balaji (DIN: 05197554) was appointed as a

Non-Executive and Non-Independent Director of the Company with effect from July 8, 2015.

Mr. Manohar G. Bhide (DIN:00001826) retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

The Board reviews and approves strategy and oversees the actions and results of the management to ensure that the long term objectives of the enhancing stakeholders' value are met.

None of the Board of Directors holds directorships in more than 10 public companies. None of the directors are related to each other.

Mr. Ravindra K. Kulkarni and Mr. R. Balaji Non-Executive and Non-Independent Directors of the Company, have resigned as Members of the Board of Directors of the Company with effect from October 16, 2015.

## 13. KEY MANAGERIAL PERSONNEL

Mr. Ravi Dayma, a qualified Company Secretary was appointed as the Company Secretary of the Company with effect from April 7, 2015.

As at the date of this Report, the Key Managerial Personnel of the Company, as envisaged under the provisions of Section 203 of the Companies Act, 2013, is Mr. Ravi Dayma, Company Secretary.

## 14. BOARD MEETINGS AND ANNUAL GENERAL MEETING

The Board met five times in Financial Year viz. April 7, 2015, July 8, 2015, October 16, 2015, January 12, 2016 and March 14, 2016. The Board of Directors have passed a Circular Resolution dated September 4, 2015.

The names and categories of the Directors of the Company, their attendance at the Board Meetings held during the Financial Year 2015-16 and at the last Annual General Meeting of the Company held on July 8, 2015 are as follows:

Names of Directors	Category	Attendance at the Board meetings held during the Financial Year 2015-16		Attendance at the last Annual General Meeting held on July 8, 2015 (Yes/ No/ N.A.)
		Held	Attended	
Mr. M. G. Bhide	Non-Executive, Non-Independent	5	5	Yes
Mr. Ravindra K. Kulkarni	Non-Executive, Non-Independent	3	3#	Yes
Mr. Uday Y. Phadke	Non-Executive, Non-Independent	2	2*	Yes
Mr. Narendra Mairpady	Non-Executive, Independent	3	3\$	Not Applicable
Mr. Debabrata Bandyopadhyay	Non-Executive, Independent	3	3\$	Not Applicable
Mr. R. Balaji	Non-Executive, Non-Independent	2	1@	Yes
Mr. Gautam Parekh	Non-Executive, Independent	3	3\$	Not Applicable

\* Mr. Uday Y. Phadke retired from the Board w.e.f. July 15, 2015.

# Mr. Ravindra K. Kulkarni resigned from the Board w.e.f. October 16, 2015.

@ Mr. R. Balaji resigned from the Board w.e.f. October 16, 2015.

\$ Mr. Narendra Mairpady, Mr. Gautam Parekh & Mr. Debabrata Bandyopadhyay were appointed on the Board w.e.f. September 21, 2015.

## 15. DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from each Independent Director of the Company under section 149(7) of the Companies Act, 2013, that he meets the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013.

for preventing and detecting fraud and other irregularities

iv. The Directors have prepared the annual accounts for year ended March 31, 2016 on a 'going concern' basis;

v. The directors have devised proper systems to ensure compliance with provisions of all applicable laws and that such systems were adequate and operating effectively.

## 16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Companies Act, 2013, your Directors confirm that:

- i. In the preparation of the annual accounts for financial year ended March 31, 2016, the applicable accounting standards have been followed and there are no material departures in adoption of these standards;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at March 31, 2016 and of the loss of the Company for the year ended on that date;
- iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and

## 17. EXTRACT OF ANNUAL RETURN

Pursuant to sub-section 3(a) of Section 134 and sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2016 forms part of this Report and is appended as Annexure I.

## 18. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public or its employees during the year under review. No amount on account of principal or interest on deposits from public was outstanding as on the date of balance sheet. There are no deposits which are not in compliance with the requirement of Chapter V of the Companies Act, 2013 during the year under review.

**19. AUDITORS**

Messrs. B. K. Khare & Co are eligible for re-appointment as Statutory Auditors of the Company, have given their consent for re-appointment. The Shareholders would be required to appoint Auditors from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and fix their remuneration.

As required under the provisions of Sections 139(1) read with 141 of the Companies Act, 2013, the Company has obtained a written certificate from Messrs. B. K. Khare & Co., Chartered Accountants, proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the criteria specified in the said sections.

**20. ACCOUNTING STANDARDS FOLLOWED BY THE COMPANY**

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) and comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Act.

**21. COMMENTS ON AUDITORS' REPORT**

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s. B. K. Khare & Co., Statutory Auditors, in their report. The Auditor's Report is enclosed with Financial Statements with this Annual Report.

**22. REPORTING OF FRAUDS**

There are no frauds on or by the Company which were required to be reported by the Statutory Auditors of the Company to the Central Government.

**23. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186**

The Company has not advanced any loans, provided any guarantee, or made investment under section 186 of the Companies Act, 2013 during the year under review.

Your Company has not made any loans/advances and investment which are required to be disclosed in the annual accounts of the Company pursuant to Regulation 34(3) and 53(f) of the Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V, applicable to the parent Company, Mahindra and Mahindra Limited.

**24. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SECTION 188(1)**

During the year, the Company had not entered into any contract/ arrangement / transaction with related parties which could be considered material. Pursuant to Section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. None of the Non-Executive Directors have any pecuniary relationships or transactions vis-à-vis the Company.

**25. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY**

There have been no material changes and commitments, 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 this Report.

**26. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is given in Annexure II.

**27. RISK MANAGEMENT POLICY**

A Risk Management Policy approved by the Board of Directors for the proposed asset management business, is in place. The Risk Management Committee consisting of representatives of the investment manager i.e. 'Mahindra Asset Management Company Private Limited' will design a well defined risk management framework and ensure its ongoing implementation. During the year under review the company has not commenced any operations.

**28. INTERNAL FINANCIAL CONTROL SYSTEM**

The Management is responsible for establishing and maintaining internal controls for financial reporting and the Statutory Auditors periodically reviews the effectiveness of the internal control systems of the Company pertaining to financial reporting of the Company to ensure Financial Statements of the Company present a true and fair view of the state of affairs of the Company.

**29. SUBSIDIARIES**

The Company did not have any subsidiary as at March 31, 2016 or during the year ended on that date.

**30. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There were no significant and material orders passed by the Regulators/Courts/Tribunals which would impact the going concern status of the Company and its future operations.

**31. PARTICULARS OF REMUNERATION**

As the Company has no employees for the year under review, the provisions of Section 197(12) of the Companies Act, 2013 and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are not applicable.

**32. CHANGE IN THE NATURE OF BUSINESS**

There was no change in nature of business carried on by the Company during the year under review.

**33. THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION PROHIBITION AND REDRESSAL) ACT, 2013**

During the year under review, no complaints were received under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Mumbai, April 13, 2016

Registered Office:

"A" Wing, 4th Floor

Mahindra Towers, 570 P B Marg

P. K. Kurne Chowk, Worli,

Mumbai - 400018.

CIN: U67100MH2013PTC245464

Tel.: 91 22 6652 6000 Fax: 91 22 2498 4170

Email: mfinvestors@mahindra.com

Website: www.mahindramutualfund.com

For and on behalf of the Board

M. G. BHIDE  
Chairman

**ANNEXURE I TO THE DIRECTORS' REPORT  
FORM NO. MGT-9**

**Extract of Annual Return for the period ended on March 31, 2016  
[Pursuant to section 92(3) and Rule 12(1) of the  
Companies (Management and Administration) Rules, 2014]**

**I. REGISTRATION AND OTHER DETAILS**

i. CIN	U67100MH2013PTC245464
ii. Registration Date	July 10, 2013
iii. Name of the Company	Mahindra Trustee Company Private Limited
iv. Category / Sub-Category of the Company	Public Company Limited by Shares
v. Address of the Registered office and contact details	4th Floor, Mahindra Towers, A Wing, P. B. Marg, Worli, Mumbai - 400018. Tel.: 91 22 6652 3500 Fax: 91 22 2497 2741 Email: mfinvestors@mahindra.com Website: www.mahindramutualfund.com
vi. Whether listed company Yes / No	No
vii. Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

**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.	Trusteeship	74	0%*

\*The company has not commenced any business activities during the period under review.

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

Sl. No.	Name and Address of the Company	CIN/GLN	Holding / Subsidiary/ Associate	% of shares held	Applicable Section
1.	Mahindra & Mahindra Limited	L65990MH1945PLC004558	Ultimate Holding Company	100.00%*	Section 2(46)
2.	Mahindra & Mahindra Financial Services Limited	L65921MH1991PLC059642	Holding Company	100.00%	Section 2(46)

\* There is no direct shareholding in the Company by Mahindra & Mahindra Limited, the ultimate Holding Company. Shares are held through Mahindra & Mahindra Financial Services Limited, subsidiary of Mahindra & Mahindra Limited.

**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	
<b>A. PROMOTERS</b>									
<b>(1) INDIAN</b>									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt (s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	50,000	50,000	100	-	1,50,000	1,50,000	100	50
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1):-</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>	<b>100</b>	<b>-</b>	<b>1,50,000</b>	<b>1,50,000</b>	<b>100</b>	<b>50</b>

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(2) FOREIGN</b>									
a) NRIs -	-	-	-	-	-	-	-	-	-
Individuals	-	-	-	-	-	-	-	-	-
b) Other -	-	-	-	-	-	-	-	-	-
Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A) = (A)(1)+(A) (2)</b>	-	<b>50,000</b>	<b>50,000</b>	<b>100</b>	-	<b>1,50,000</b>	<b>1,50,000</b>	<b>100</b>	<b>50</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>1. INSTITUTIONS</b>									
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)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-
<b>2. NON-INSTITUTIONS</b>									
a) Bodies Corporate	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	-	-	-	-	-	-	-	-	-
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	-	-	-	-	-	-	-	-	-
<b>C. SHARES HELD BY CUSTODIAN FOR GDRS &amp; ADRS</b>									
<b>Grand Total (A+B+C)</b>	-	<b>50,000</b>	<b>50,000</b>	<b>100</b>	-	<b>1,50,000</b>	<b>1,50,000</b>	<b>100</b>	<b>50</b>

**(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.	Mahindra & Mahindra Financial Services Limited	49,998	100	-	1,49,998	100	-	50
2.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. M. G. Bhide	1	-	-	1	-	-	-
3.	Mahindra & Mahindra Financial Services Limited Jointly with Mr. R. K. Kulkarni	1	-	-	1	-	-	-
<b>Total</b>		<b>50,000</b>	<b>100</b>	<b>-</b>	<b>1,50,000</b>	<b>100</b>	<b>-</b>	<b>50</b>

**(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 (As at April 1, 2015)				
	Mahindra & Mahindra Financial Services Limited (MMFSL)	49,998	100	49,998	100
	Mahindra & Mahindra Financial Services Limited Jointly with Mr. M. G. Bhide	1	-	1	-
	Mahindra & Mahindra Financial Services Limited Jointly with Mr. R. K. Kulkarni	1	-	1	-
	Date wise increase / decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.)	On December 23, 2015, 1,00,000 Equity Shares of Rs. 10/- each at par, were allotted on a Rights Basis to Mahindra & Mahindra Financial Services Limited. Increase in Shareholding of promoters is on account of allotment of equity shares on a Rights Basis, as mentioned above.			
	At the end of the year (As at March 31, 2016)	1,50,000	100	1,50,000	100

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year			Not Applicable	
	Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			Not Applicable	
	At the End of the year ( or on the date of separation, if separated during the year)			Not Applicable	

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

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the Year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. M.G. Bhide (jointly with Mahindra & Mahindra Financial Services Limited)				
	At the beginning of the year (As at April 1, 2015)	1	-	1	-
	Date wise Increase /Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer /bonus/ sweat equity etc):			No Change	
	At the End of the year (As at March 31, 2016)	1	-	1	-
2	Mr. Gautam Parekh				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise Increase /Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			No Change	
	At the End of the year (As at March 31, 2016)	Nil	-	Nil	-
3	Mr. Narendra Mairpady				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise Increase /Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer /bonus/ sweat equity etc):			No Change	
	At the End of the year (As at March 31, 2016)	Nil	-	Nil	-

Sl. No.	For Each of the Directors and KMP	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
4	Mr. Debabrata Bandyopadhyay				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise Increase /Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment /transfer /bonus/ sweat equity etc):		No Change		
	At the End of the year (As at March 31, 2016)	Nil	-	Nil	-
5	Mr. Ravi Dayma (appointed as Company Secretary with effect from April 7, 2015)				
	At the beginning of the year (As at April 1, 2015)	Nil	-	Nil	-
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer /bonus/sweat equity etc):		No Change		
	At the End of the year (As at March 31, 2016)	Nil	-	Nil	-

## V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Indebtedness during the financial year</b>				
♦ Addition	-	-	-	-
♦ Reduction	-	-	-	-
Net Change	-	-	-	-
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount
		Managing Director	Whole time Director	Manager	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others	-	-	-	-
5.	Others	-	-	-	-
	<b>Total (A)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	Ceiling as per the Act	-	-	-	-

**B. Remuneration to other directors:**

Particulars of Remuneration	Names of Directors			Total Amount
	Mr. Gautam Parekh	Mr. Narendra Mairpady	Mr. Debabrata Bandyopadhyay	
1. Independent Directors				
♦ Fee for attending board/committee meetings	60,000	60,000	60,000	1,80,000
♦ Commission	NIL	NIL	NIL	NIL
♦ Others	NIL	NIL	NIL	NIL
<b>Total (1)</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>1,80,000</b>

2. Other Non-Executive Directors	Mr. M.G. Bhide	Mr. Ravindra Kulkarni	Mr. Uday Phadke	Mr. R. Balaji	Total Amount
	♦ Fee for attending board/committee meetings	1,00,000	60,000	NIL	
♦ Commission	NIL	NIL	NIL	NIL	NIL
♦ Others	NIL	NIL	NIL	NIL	NIL
<b>Total (2)</b>	<b>1,00,000</b>	<b>60,000</b>	<b>NIL</b>	<b>NIL</b>	<b>1,60,000</b>
<b>Total (B)=(1+2)</b>			<b>3,40,000</b>		
<b>Total Managerial Remuneration (A+B)</b>					<b>3,40,000</b>

Overall Ceiling as per the Act

The Company has incurred losses and has not yet commenced business during the period under review.

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

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	(Mr. Ravi Dayma)@ Company Secretary	CFO	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-	-
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others	-	-	-	-
5.	Others	-	-	-	-
	<b>Total</b>	-	-	-	-

@ Mr. Ravi Dayma was appointed as the Company Secretary with effect from April 7, 2015 and his entire remuneration is borne by Mahindra Asset Management Company Private Limited.

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

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			None		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board

**M. G. Bhide**  
Chairman

Mumbai, April 13, 2016

**ANNEXURE II TO THE DIRECTORS' REPORT**

Information pursuant to Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo.

**(A) CONSERVATION OF ENERGY-****i. the steps taken or impact on conservation of energy;**

The operations of your Company are not energy intensive. However, adequate measures have been initiated to reduce energy consumption

**ii. the steps taken by the company for utilising alternate sources of energy –**

The operations of your Company are not energy intensive

**iii. the capital investment on energy conservation equipments – Nil****(B) TECHNOLOGY ABSORPTION-****i the efforts made towards technology absorption – None.****ii the benefits derived like product improvement, cost reduction, product development or import substitution – Not applicable.****iii in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)**

- |  |                  |
|--|------------------|
| a) the details of technology imported  | : None           |
| b) the year of import;   | : Not applicable |
| c) whether the technology been fully absorbed;   | : Not applicable |
| d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; | : Not applicable |

**iv the expenditure incurred on Research and Development – Nil.****(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

There were no foreign exchange earnings or outgo during the year.

For and on behalf of the Board

Mumbai, April 13, 2016

**M.G. Bhide**  
Chairman

# Independent Auditor's Report

To the Members of **Mahindra Trustee Company Private Limited**

## Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Mahindra Trustee Company Private Limited ("the Company"), which comprise the balance sheet as at March 31, 2016, and the statements of profit and loss and cash flow for the period from April 1, 2015 to March 31, 2016, and a summary of the significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

2. 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 standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the 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 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. 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.

5. We conducted our audit in accordance with the Standards on Auditing 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 the 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.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

## Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the period from April 1, 2015 to March 31, 2016.

## Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the

information and explanations given to us, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. 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, the Statement of Profit and Loss and Cash Flow dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of written representations received from the directors as at March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as at March 31, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of internal financial controls over financial reporting of the

Company and the operating effectiveness of such controls, refer to our separate report in Annexure II.

- 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(as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has no pending litigation.
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any on long-term contracts. The Company did not have any derivative contracts.
  - iii. The Company has been in existence for a period less than seven years and hence there is no requirement to transfer any amounts to the Investor Education and Protection Fund.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number: 044784

Place : Mumbai  
Date : April 13, 2016

# Annexure I to the Auditor's Report

Referred to in paragraph 9 of our report of even date on the standalone financial statements of **Mahindra Trustee Company Private Limited** for the year ended March 31, 2016

## Annexure to the Auditor's Report referred to in our report of even date:

- |  |  |
|--|--|
| <p>I. (a) and (b) The Company does not have any fixed assets of its own and hence para 3(I)(a) and 3(I)(b) are not applicable to the Company.</p> <p>(c) The Company has no immovable properties and hence para 3(i)(c) is not applicable to the company</p>   | <p>sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other applicable statutory dues with the appropriate authorities.</p>  |
| <p>II. On facts, Clause 3(ii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.</p>  | <p>(b) According to the records of the company and information and explanations given to us there are no disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax which have not been deposited with the relevant authority.</p>  |
| <p>III. No parties are covered in the register maintained under section 189 of Companies Act, 2013 by the Company. Therefore, clause 3(iii) (a), (b) &amp; (c) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.</p>   | <p>VIII. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not borrowed any money from financial institution or bank or debenture holders as at the Balance Sheet date.</p>   |
| <p>IV. In our opinion and according to the information and explanations given to us the provisions of section 186 of the Companies Act, 2013 have been complied with. During the year, the Company has not provided loan to any of its directors', therefore, provisions of section 185 were not applicable during the year.</p>   | <p>IX. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and term loans.</p>  |
| <p>V. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Consequently, no order has been passed by the Company Law Board or National Company Law Commission or Reserve Bank of India or any court or any other tribunal on the Company. The clause 3(v), therefore is not applicable to the company.</p> | <p>X. On the basis of our examination of the relevant records of the Company, carried out in accordance with generally accepted auditing practices and according to the information and explanations given to us, no fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year.</p> |
| <p>VI. On facts, clause 3(vi) relating to maintenance of cost records is not applicable to the company.</p>  | <p>XI. On the basis of examination of relevant records and according to the information and explanations given to us, the Company has paid or provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.</p>                             |
| <p>VII. (a) According to the records of the Company and information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax,</p>   | <p>XII. The Company is not a 'Nidhi Company', therefore, clause 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable to the Company.</p>   |

- XIII. On the basis of examination of relevant records and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable. The Company has disclosed the details of transactions with related parties in the Financial Statements as required by the applicable accounting standards.
- XIV. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit; therefore, clause 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable to the company.
- XV. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- XVI. On the basis of examination of relevant records and according to the information and explanations given to us, in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number: 044784

Place : Mumbai  
Date : April 13, 2016

# Annexure to the Independent Auditor's Report

of even date on the Standalone Financial Statements of Mahindra Trustee Company Private Limited

## Report on the Internal Financial Control under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Mahindra Trustee Company Private Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the period from April 1, 2015 to March 31, 2016.

### 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 operate 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.

### Auditors' 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, issued by the Institute of Chartered Accountants of India ("ICAI") and deemed to be prescribed 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 ICAI. 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 Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being

made only in accordance with authorisations of management and directors of the company; and

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

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

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

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by ICAI.

For **B. K. Khare & Co.**  
Chartered Accountants  
Firm's Registration Number 105102W

**Padmini Khare Kaicker**  
Partner  
Membership Number: 044784

Place : Mumbai  
Date : April 13, 2016

# Balance Sheet

As at March 31, 2016

(In Rupees)

Particulars	Note No.	As at March 31	
		2016	2015
<b>I. EQUITY &amp; LIABILITIES</b>			
<b>1) Shareholders' funds</b>			
a) Share Capital	1	15,00,000	5,00,000
b) Reserves and Surplus	2	(7,45,222)	(2,53,342)
		<b>7,54,778</b>	<b>2,46,658</b>
<b>3) Non-current liabilities</b>			
a) Other Long-term liabilities	3	1,00,000	-
		<b>1,00,000</b>	<b>-</b>
<b>2) Current liabilities</b>			
a) Trade payables	4	39,192	21,754
b) Other current liabilities	5	10,168	3,000
		<b>49,360</b>	<b>24,754</b>
<b>TOTAL</b>		<b>9,04,138</b>	<b>2,71,412</b>
<b>II. ASSETS</b>			
<b>1) Current assets</b>			
a) Cash and bank balance	6	8,42,217	2,49,022
b) Other current assets	7	61,921	22,390
		<b>9,04,138</b>	<b>2,71,412</b>
<b>TOTAL</b>		<b>9,04,138</b>	<b>2,71,412</b>

Summary of significant accounting policies and notes to the financial statements I & II

The notes referred to above form an integral part of the Balance Sheet  
This is the Balance Sheet referred in our report of even date

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN : 105102W

For and on behalf of the Board

**M.G.Bhide**  
Chairman

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Narendra Mairpady**  
Director

**Gautam Parekh**  
Director

**Debabrata Bandyopadhyay**  
Director

Place : Mumbai  
Date : April 13, 2016

# Statement of Profit and Loss

for the year ended March 31, 2016

		(In Rupees)	
		For the Period Ended March 31	
Particulars	Note No.	2016	2015 (Nine Months)
<b>I. Revenue from operations</b>		-	-
<b>II. Other income</b>		-	-
<b>III. Total Revenue (I + II)</b>		-	-
IV. Expenses:			
Other expenses	8	4,91,880	1,17,944
<b>Total expenses</b>		<b>4,91,880</b>	<b>1,17,944</b>
V. Profit before tax (III- IV)		<b>(4,91,880)</b>	<b>(1,17,944)</b>
VI. Tax expense:			
(1) Current tax		-	-
(2) Deferred tax		-	-
<b>VII. Profit/ (Loss) for the period (V - VI)</b>		<b>(4,91,880)</b>	<b>(1,17,944)</b>
VIII. Earnings per equity share (Rupees) :	9		
(1) Basic		(6.14)	(0.12)
(2) Diluted		(6.14)	(0.12)
Summary of significant accounting policies and notes to the financial statements	I & II		

The notes referred to above form an integral part of the Statement of Profit & Loss  
This is the Statement of Profit & Loss referred in our report of even date

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

For and on behalf of the Board

**M.G.Bhide**  
Chairman

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Narendra Mairpady**  
Director

**Gautam Parekh**  
Director

**Debabrata Bandyopadhyay**  
Director

Place : Mumbai  
Date : April 13, 2016

# Cash Flow Statement

for the year ended March 31, 2016

(In Rupees)

Particulars	For the Period Ended March 31	
	2016	2015 (Nine Months)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxes and contingencies	(4,91,880)	(1,17,944)
Add/(Less):		
Operating profit before working capital changes (II)	(4,91,880)	(1,17,944)
Add / Less:		
(Increase)/Decrease in Other Current Assets	(39,531)	-
(Increase)/Decrease in Loans & Advances	-	(20,536)
	<b>(39,531)</b>	<b>(20,536)</b>
Add: Increase in Current Liabilities & Provisions	24,606	(1,11,988)
	(II) <b>(14,925)</b>	<b>(1,32,524)</b>
Cash generated from operations (I+II)	(5,06,805)	(2,50,468)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>(5,06,805)</b>	<b>(2,50,468)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	-	-
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares	10,00,000	-
Increase/(Decrease) in Other Long Term Liabilities (net)	1,00,000	-
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>11,00,000</b>	-
NET INCREASE / (DECREASE) IN		
<b>CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>5,93,195</b>	<b>(2,50,468)</b>
CASH AND CASH EQUIVALENTS AS AT:		
<b>Beginning of the period</b>	<b>2,49,022</b>	<b>4,99,490</b>
<b>End of the period</b>	<b>8,42,217</b>	<b>2,49,022</b>

Examined and found correct.

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard 3 (AS-3), "Cash Flow Statements"

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

For and on behalf of the Board

**M.G.Bhide**  
Chairman

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Narendra Mairpady**  
Director

**Gautam Parekh**  
Director

**Debabrata Bandyopadhyay**  
Director

Place : Mumbai  
Date : April 13, 2016

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

### 1) BASIS OF PREPARATION OF ACCOUNTS

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles (IGAAP) under the historical cost convention as a going concern and on accrual basis and in accordance with the provisions of the Companies Act, 2013 and the Accounting Standards notified under section 133 of the Companies Act 2013.

All assets & liabilities have been classified as current & non – current as per the Company's normal operating cycle and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of services and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets & liabilities.

### 2) USE OF ESTIMATES

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including Contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting year. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future years.

### 3) INVESTMENTS

Investments held as Long –Term Investments are stated at cost comprising of acquisition and incidental expenses less permanent diminution in value, if any. Investments other than Long Term investments are classified as current Investments and valued at cost or fair value whichever is less.

Provision for diminution in value of investments is made if management perceives that there is

permanent diminution in value of investments in accordance with the Accounting Standard on 'Accounting for Investments' (AS 13) notified by Companies (Accounting Standards) Rules, 2006.

### 4) SHARE ISSUE EXPENSES

Expenses incurred in connection with fresh issue of share capital is charged to Profit and Loss account in the year in which they are incurred.

### 5) PROVISIONS AND CONTINGENT LIABILITIES

- a) Provision for doubtful debts is made on the basis of standard norms and also, where required, on actual evaluation.
- b) Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

### 6) EARNING PER SHARE

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

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## I) GENERAL INFORMATION:

The Company Mahindra Trustee Company Private Limited ('the Company') was incorporated under the Companies Act, 1956 on July 10, 2013. The company is a subsidiary of Mahindra & Mahindra Financial Services Ltd. The company is incorporated to function as a Trustee to the proposed "Mahindra Mutual Fund". The company has been granted a license from SEBI. Consequently, during the period under audit the company has not started its operations.

## II) NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2016

### 1) SHARE CAPITAL:

(In Rupees)

Particulars	As at March 31	
	2016	2015
<b>Authorised Capital :</b>		
2,50,000 Equity shares of Rs.10/- each (March 2015 : 50,000 shares)	25,00,000	5,00,000
<b>Issued Capital :</b>		
1,50,000 Equity shares of Rs.10/- each (March 2015 : 50,000 shares)	15,00,000	5,00,000
<b>Subscribed and Paid-up Capital :</b>		
1,50,000 Equity shares of Rs.10/- each (March 2015 : 50,000 shares)	15,00,000	5,00,000
<b>Total</b>	<b>15,00,000</b>	<b>5,00,000</b>

	As at March 31			
	2016		2015	
	Number of shares	Rupees	Number of shares	Rupees
<b>a) Reconciliation of the number of shares -</b>				
Number of equity shares outstanding at the beginning of the period	50,000	5,00,000	50,000	5,00,000
Add : Fresh allotment of shares during the period :	1,00,0000	10,00,000	-	-
Less : Shares bought back during the period				
Number of equity shares outstanding at the end of the period	<b>1,50,000</b>	<b>15,00,000</b>	<b>50,000</b>	<b>5,00,000</b>
<b>b) Number of equity shares held by holding company or ultimate holding company including shares held by its subsidiaries / associates -</b>				
Holding company : Mahindra & Mahindra Financial Services Limited (Equity shares of Rs. 10/- each)	1,50,000	15,00,000	50,000	5,00,000
Percentage of holding (%)	100	100	100	100
<b>c) Shareholders holding more than 5 percent shares :</b>				
Mahindra & Mahindra Financial Services Limited	1,50,000	15,00,000	50,000	5,00,000

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 2) RESERVES & SURPLUS:

Particulars	As at March 31	
	2016	2015
Surplus :		
Balance Profit as per last Balance Sheet	(2,53,342)	(1,35,398)
Add : Profit for the current period transferred from Statement of Profit & Loss	(4,91,880)	(1,17,944)
Balance Profit carried to Balance Sheet	(7,45,222)	(2,53,342)
Less : Allocations & Appropriations :	-	-
Balance as at the end of the period	(7,45,222)	(2,53,342)
<b>Total</b>	<b>(7,45,222)</b>	<b>(2,53,342)</b>

## 3) OTHER LONG TERM LIABILITIES:

Particulars	As at March 31	
	2016	2015
Initial Corpus of Mahindra Mutual Fund (*)	1,00,000	-
<b>Total</b>	<b>1,00,000</b>	<b>-</b>

(\*) The initial Corpus is contributed by Mahindra & Mahindra Financial Services Ltd to Mahindra Trustee Co Pvt Ltd towards corpus of Mahindra Mutual Fund.

## 4) TRADE PAYABLES:

Particulars	As at March 31	
	2016	2015
Trade Payables for Expenses	39,192	21,754
<b>Total</b>	<b>39,192</b>	<b>21,754</b>

## 5) OTHER CURRENT LIABILITIES

Particulars	As at March 31	
	2016	2015
TDS Payable	10,168	3,000
<b>Total</b>	<b>10,168</b>	<b>3,000</b>

## 6) CASH AND BANK BALANCE:

Particulars	As at March 31	
	2016	2015
Balance with Scheduled Banks in Current Accounts	8,42,217	2,49,022
<b>Total</b>	<b>8,42,217</b>	<b>2,49,022</b>

## 7) OTHER CURRENT ASSETS :

Particulars	As at March 31	
	2016	2015
Service tax credit available	61,921	22,390
<b>Total</b>	<b>61,921</b>	<b>22,390</b>

# Significant Accounting Policies and Notes

to the financial statements for the year ended March 31, 2016

## 8) OTHER EXPENSES:

(In Rupees)

Particulars	Year ended March 31	
	2016	2015
Rates and Taxes	12,000	(9,888)
Directors sitting fees	3,40,000	60,000
Bank Charges	81	142
Legal & Professional Fees	48,588	29,250
Filing fees	6,100	21,500
Audit Fees	20,101	15,000
Share Issue Expenses	65,010	-
Other Administrative expenses	-	1,940
<b>Total</b>	<b>4,91,880</b>	<b>1,17,944</b>

## 9) IN ACCORDANCE WITH THE ACCOUNTING STANDARD ON "EARNING PER SHARE "(AS 20) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA, THE EPS ARE AS FOLLOWS:

(In Rupees)

Particulars	As at March 31	
	FY 2015-16	FY 2014-15
Net Profit/ (Loss) attributable to Equity Share Holders	(4,91,880)	(1,17,944)
Weighted Average Numbers of Shares (* )	80,055	9,82,870
EPS – ( Basic)	(6.14)	(0.12)
EPS – ( Diluted)	(6.14)	(0.12)

(\* ) The No of shares outstanding for previous period has been adjusted on account of issue of rights shares during the current period as per guidelines of AS-20

## 10) RELATED PARTY DISCLOSURE AS PER ACCOUNTING STANDARD 18:

### A) List of the related parties which have transactions with our Company during the year:

Holding Company	Mahindra & Mahindra Financial Services Limited
-----------------	--

### B) Related party transactions are as under:

(Rs in Lacs)

Sr No	Nature of Transactions	Holding Companies	Fellow Subsidiary Companies	Key Management Personnel
1	Issue of Equity Shares	Mahindra and Mahindra Financial Services Ltd	10	(5)

Notes:

i. Figures in bracket represent corresponding figure of previous year.

Signatures to Significant accounting policies and Notes to the financial statements – I and II

For **B. K. Khare and Co.**  
Chartered Accountants  
FRN :105102W

For and on behalf of the Board

**M.G.Bhide**  
Chairman

**Padmini Khare Kaicker**  
Partner  
Membership No.44784

**Narendra Mairpady**  
Director

**Gautam Parekh**  
Director

**Debabrata Bandyopadhyay**  
Director

Place : Mumbai  
Date : April 13, 2016



## **Mahindra** FINANCE

Mahindra & Mahindra Financial Services Limited  
Mahindra Towers, 4th Floor, Dr. G.M. Bhosale Marg,  
P. K. Kurne Chowk, Worli, Mumbai - 400 018  
CIN: L65921MH1991PLC059642  
[www.mahindrafinance.com](http://www.mahindrafinance.com)

This Annual Report is printed on environment friendly paper.