

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Fedbank Financial Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s Fedbank Financial Services Limited** ("the Company") which comprise the Balance Sheet as at 31st March 2016, profit and Loss Statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters 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.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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.



Varma & Varma

Chartered Accountants

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

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

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of Section 143 (11) of the Companies Act, 2013, we give in the Annexure A, statement on the matters specified in Paragraphs 3 and 4 of the said Order,

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 purposes of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



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e) On the basis of written representations received from the directors as on 31 March, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial control over financial reporting of the company and the operating effectiveness of such control, refer to our separate report in "Annexure B", and

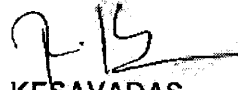
g) With respect to the other matters to be included in the Auditor's report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us :

i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements;

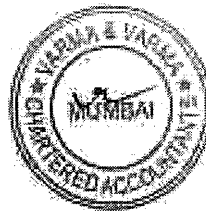
ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For VARMA & VARMA
Chartered Accountants
FRN 004532S


R.KESAVADAS
Partner
M.No.23862

Place: Mumbai
Date: 27.04.2016



ANNEXURE A TO THE AUDITORS' REPORT

The Annexure referred to in Independent Auditor's report to the members of the Company on the standalone financial statements of **Fedbank Financial Services Limited** for the year ended 31st March, 2016

(i)

(a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner annually. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) The company does not own any immovable property, thus, paragraph 3(i)(c) of the Order is not applicable to the Company.

(ii) The company does not have any inventory and hence the reporting requirement contained in clause 3(ii) of the order regarding inventory are not applicable to the company.

(iii) 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 Companies Act, 2013 thus paragraph 3(iii)(a) to 3(iii)(c) of the Order is not applicable to the Company.

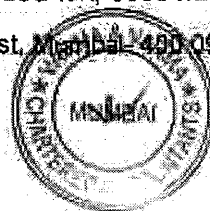
(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.

(v) The company has not accepted deposits in accordance with directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under are not applicable to the company.

(vi) As per the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under sub-section (l) of section 148 of the companies Act, 2013.

(vii)

(a) According to the information and explanation given to us and as per our verification of the records of the company, amounts deducted/accrued in the books of account in respect of the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, value added tax, cess have been regularly



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Chartered Accountants

deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of and duty of excise.

According to the information and explanations given to us, no undisputed amount payable in respect of provident fund, employee's state insurance, income-tax, sales-tax, service tax, duty of excise, value added tax, cess were in arrears at 31st March, 2016 for a period of more than six months from the dates they became payable.

(b) According to the information and explanation given to us, there are no unpaid disputed taxes as on 31st March, 2016.

(viii) According to information and explanation given to us and as per our verification of the records of the company, the company has not defaulted in repayment of its loans or borrowings to a financial institution or bank. The Company has not borrowed any amount from Government or debenture holders.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and with respect to Term loans availed by the company, have been applied for the purpose for which the loans were obtained. Accordingly, paragraph 3 (ix) of the Order is not applicable.

(x) According to the information and explanations given to us and the records of the company examined by us, during the year the company has reported to the Reserve Bank of India instances of fraud against the company by others, where stolen gold had been pledged against loans granted which had occurred involving amounts aggregating to INR 8.62 Lakhs.

We are informed that legal action for recovery has been initiated in all cases and provision has been made in the books of accounts towards the amounts involved.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, 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.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.



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Chartered Accountants

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) The Company is registered under section 45-IA of the Reserve Bank of India Act 1934.

For VARMA & VARMA
Chartered Accountants
FRN 004532S



R KESAVADAS
Partner
M. No.23862

Place: Mumbai
Date: 27.04.2016



ANNEXURE - B TO THE AUDITORS' REPORT

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 **Fedbank Financial Services Limited** ("the Company") as of 31 March 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 ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 judgment, 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.



Varma & Varma

Chartered Accountants

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

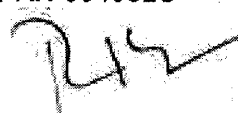
Inherent Limitations of Internal Financial Controls Over Financial Reporting

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 31st March 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 **VARMA & VARMA**
Chartered Accountants
FRN 004532S


R KESAVADAS
Partner
M. No.23862

Place: Mumbai
Date: 27.04.2016



101, Option Primo, Plot No: X-21, Andheri East, Mumbai- 400 093

FEDBANK FINANCIAL SERVICES LIMITED

Balance Sheet as at March 31, 2016

(Amounts in Thousands)

Particulars	Note No.	As at March 31, 2016	As at March 31, 2015
I. EQUITY AND LIABILITIES			
1 Shareholder's Funds			
(a) Share Capital	3	19,00,000	19,00,000
(b) Reserves and Surplus	4	1,79,336	56,794
2 Non-Current Liabilities			
(a) Long Term Borrowings	5	13,17,500	2,77,500
(b) Long-Term Provisions	6	10,174	4,713
3 Current Liabilities			
(a) Short-Term Borrowings	7	24,58,167	22,74,959
(b) Trade Payables	8	10,512	9,496
(c) Other Current Liabilities	9	5,28,016	1,83,044
(d) Short-Term Provisions	10	15,690	9,890
TOTAL		64,19,395	47,16,396
II. ASSETS			
1 Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	11	34,301	52,243
(ii) Intangible Assets	12	2,340	8,284
(b) Deferred Tax Assets (Net)	13	26,118	20,016
(c) Long-Term Loans and Advances	14	30,75,821	19,97,900
2 Current Assets			
(a) Current Investments	15	-	1,41,604
(b) Trade Receivables	16	7,266	12,004
(c) Cash and Cash Equivalents	17	41,397	67,527
(d) Short-Term Loans and Advances	18	32,29,121	24,14,477
(e) Other Current assets	19	3,031	2,341
TOTAL		64,19,395	47,16,396

Corporate Information & Significant Accounting Policies

1-2

Other Notes to Accounts

26-31

For and on behalf of Board of Directors

As per our report of even date attached

For Varma & Varma

Chartered Accountants

FRN 0045325

Suresh Kumar
Chairman
DIN:00494479

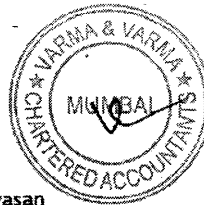
Gauri Rushabh Shah
Director
DIN: 06625227

Shardul Kadam
President

Place: Mumbai
Date: 27/04/2016

Shyam Srinivasan
Director
DIN: 02274773

Sudeep Agrawal
CFO



R Kesavadas
Partner
M.No 23862

Ankit Kawa
Company Secretary

M. No A44317

Place: Mumbai
Date: 27/04/2016

FEDBANK FINANCIAL SERVICES LIMITED

Profit and Loss Statement for the year ended March 31, 2016

(Amounts in Thousands)

Particulars	Note No.	Year Ended March 31, 2016	Year Ended March 31, 2015
I. Revenue:			
a Revenue from Operations	20	8,80,336	7,71,663
b Other Income	21	14,476	20,667
Total Revenue (a+b)		8,94,812	7,92,330
II. Expenses:			
a Employee Benefit Expenses	22	2,13,603	2,10,901
b Finance Costs	23	2,54,187	2,12,513
c Depreciation/Amortization Expense		27,255	48,940
d Other Expenses	24	2,11,153	2,34,656
Total Expenses (a+b+c+d)		7,06,198	7,07,010
III. Profit / (Loss) before Tax		1,88,614	85,320
IV. Tax Expense:			
a Current tax		72,172	27,061
b Deferred Tax (Gain) [Refer Note 13]		(6,100)	(5,156)
V. Profit/(Loss) for the Year		1,22,542	63,415
VI. Earnings Per Equity Share			
Basic and Diluted (Face value of Rs 10 per share)	25	0.64	0.33
Corporate Information & Significant Accounting Policies	1-2		
Other Notes to Accounts	26-31		

For and on behalf of Board of Directors

As per our report of even date attached

For Varma & Varma
Chartered Accountants
FRN 004532S

Suresh Kumar
Chairman
DIN:00494479

R Kesavadas
Partner
M.No 23862

Gauri Rushabh Shah
Director
DIN: 06625227

Shyam Srinivasan
Director
DIN: 02274773

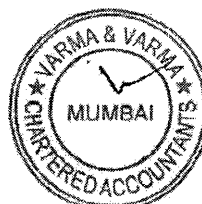
Shardul Kadane
President

Sudeep Agrawal
CFO

Ankit Kawa
Company Secretary
M . No. A44317

Place: Mumbai
Date: 27/04/2016

Place: Mumbai
Date: 27/04/2016

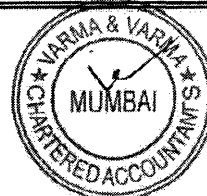


FEDBANK FINANCIAL SERVICES LIMITED

Cash flow Statement for the year ended March 31, 2016

(Amounts in Thousands)

Particular	Year Ended March 31, 2016	Year Ended March 31, 2015
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before tax as per P&L Statement	1,88,614	85,320
<u>Adjustments for</u>		
Finance Cost	2,49,681	2,07,932
Adjustment in Opening Reserve(gross of Deferred tax)	-	(669)
Interest on fixed deposits with Federal Bank	(1,411)	(2,052)
Provision for Standard Assets	7,341	2,420
Provision for Loss Assets	1,090	(13,747)
Provision for Sub Standard Asset	2,001	(3,923)
Provision for Doubtful Debts	-	(130)
Provision for Burglary	-	496
Depreciation	27,255	48,940
Interest from Debentures	(3,597)	(50,329)
Interest on Income Tax Refunds	(818)	-
Insurance Claim Received	(1,443)	-
Loss on sale of tangible assets	2,203	5,960
Profit on Sale Of Mutual Fund units (Net)	(1,114)	-
Provision for Impairment of Tangible Assets	1,746	436
Operating Profit before Working Capital changes	<u>4,71,547</u>	<u>2,80,654</u>
<u>Adjustments for Working Capital Changes</u>		
Trade Receivables	4,738	(5,908)
Short-term Loans and Advances	(8,16,045)	1,56,487
Other Current Assets	(397)	(614)
Long term Loans & Advances	(10,80,436)	(9,50,325)
(Increase)/ Decrease in Receivables	<u>(18,92,140)</u>	<u>(8,00,360)</u>
Long-term Provisions	5,461	1,382
Trade Payables	1,016	379
Other Current Liabilities	3,45,206	(54,044)
Short-term Provisions	(4,632)	(3,089)
Increase/(Decrease) in Trade/Other payables	<u>3,47,051</u>	<u>(55,372)</u>
Cash generated from Operations	<u>(10,73,542)</u>	<u>(5,75,078)</u>
Insurance Claim Received	1,443	-
Interest on Income Tax Refunds	818	-
Taxes (paid) / refunded	(69,001)	(46,520)
Cash Flow before extraordinary items	<u>(11,40,282)</u>	<u>(6,21,597)</u>
Net Cash inflow / (outflow) from Operating Activities	(11,40,282)	(6,21,597)
B. Cash Flow from Investment Activities		
Purchase of tangible assets	(7,825)	(3,563)
Sale of tangible assets	1,018	2,067
Interest on fixed deposits	1,118	2,049
Investment in NCD	1,41,604	(1,41,604)
Profit on Sale Of Mutual Fund units (Net)	1,114	-
Interest from Debentures	3,597	50,329
Net Cash inflow / (outflow) from Investment Activities	1,40,626	(90,722)



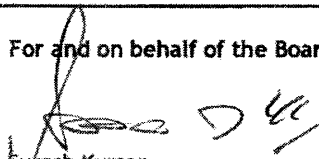
BANK FINANCIAL SERVICES LIMITED


Cash Flow Statement for the year ended March 31, 2016

(Amounts in Thousands)

Particular	Year Ended March 31, 2016	Year Ended March 31, 2015
C. Cash Flow from Financing Activities		
Interest Expenses	(2,49,681)	(2,07,932)
Cash Credit	1,83,208	6,39,856
Term Loan	10,40,000	2,77,500
Net Cash inflow / (outflow) from Financing activities	9,73,527	7,09,424
B. Net Increase / (decrease) in cash and cash Equivalents (A+B+C)	(26,130)	(2,895)
Opening Balance of Cash and Cash Equivalents	67,527	70,422
Closing Balance of Cash and Cash Equivalents	41,397	67,527


For and on behalf of the Board

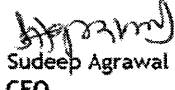

Suresh Kumar
Chairman
DIN:00494479


Gauri Rushabh Shah
Director
DIN: 06625227


Shardul Kadam
President

Place: Mumbai
Date: 27/04/2016


Shyam Srinivasan
Director
DIN: 02274773


Sudeep Agrawal
CFO

As per our report of even date attached
For Varma & Varma
Chartered Accountants
FRN 004532S


R Kesava Das
Partner
M.No 23862


Ankit Kawa
Company Secretary
M. No. A44317

Place: Mumbai
Date: 27/04/2016



Significant Accounting Policies and Notes to Accounts

1) CORPORATE INFORMATION

The Company was incorporated on 17th April 1995 and is a subsidiary of The Federal Bank Ltd. The Company was registered as a Non banking Financial Company(NBFC) on 24th August 2010. The company is into the business of lending mainly against Gold and Property, Wholesale lending and also distributes retail loan/insurance products for a fee. The company currently operates through 106 branches mainly spread across South India, 6 locations of Distribution vertical shared with LAP and Wholesale lending business. During the current year, the company's assets has grown in excess of INR 500 Crs. and is categorized as Systemically important non-deposit taking non-banking financial company (NBFC-ND-SI) in accordance with the guidelines of Reserve Bank of India.

2) SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of accounts

Financial Statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 2013 and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a non deposit taking NBFC. Accounting Policies not stated explicitly otherwise are consistent with generally accepted accounting principles in India.

2.2 Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles in India requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and revenue and expenses. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the Financial Statements are prudent and reasonable.

2.3 Revenue Recognition

Revenue is recognized as and when it is earned and no significant uncertainty exists as to its realization or collection. Interest income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2015 " and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a non deposit taking NBFC. Overdue charges are recognized when the company is certain of its realization.

Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.

In order to reflect the contracted yield as interest income, the premium/discount on fixed income securities is amortised with reference to " yield to maturity" prevailing on acquisition.

Processing Fees & Penal Charges are recognized on receipt basis.

2.4 Tangible Assets and Depreciation

(a) Tangible Assets:

Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost includes Freight, duties, taxes and other incidental expenses and expenses on installation of the assets.

In respect of assets acquired during the year, Depreciation/amortisation is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

(b) Intangible Assets:

Intangible assets include computer software which are acquired, capitalized and amortized on an SLM basis over the estimated useful lives of 3 years on a pro rata basis.

2.5 Employee Benefits

Short Term Employee Benefits:-

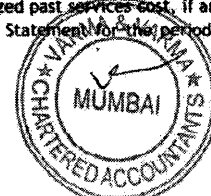
- (a) All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and the undiscounted amounts are recognized as expenses in the Profit & Loss Statement of the year in which the related services are rendered.

Defined Contribution Plan :

- (b) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit & Loss Statement for the Year.

Defined Benefit Plan:

- (c) The net present value of the obligation for gratuity benefits , which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit & Loss Statement for the period in which they occur.



~~Significant Accounting Policies and Notes to Accounts~~ Significant Accounting Policies and Notes to Accounts

2.6 The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Statement for the period in which they occur.

2.4 Taxes on income

(1) Income tax is accounted in accordance with Accounting Standard on Accounting for Taxes on Income (AS-22), which includes current taxes and deferred taxes. Provision for current tax is made based on the tax payable under the Income Tax Act, 1961.

(2) Deferred tax on account of timing difference between taxable and accounting income that originates in one period and are capable of reversal in one or more subsequent period, are accounted using the tax rates and the tax laws enacted or substantively enacted by the balance sheet date. Deferred tax assets in respect of unabsorbed depreciation or carried forward losses are recognised if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised to the extent there is reasonable certainty of their realisation.

2.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalized. Other borrowing costs are recognized as expenditure for the period in which they are incurred.

2.8 Impairment of Assets

The company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. As asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. Based on such assessment, impairment loss, if any, is charged to the Profit & Loss Statement in the period in which, an asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

2.9 Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the company has a present obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the correct management estimates.

Contingent Liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash flow will not be required to settle the obligation.

Contingent assets are neither recognised nor disclosed in the accounts.

2.10 Advances:

Advances are classified as Performing Assets and Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to Non-banking Financial "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2015".

2.11 Segment Reporting:

The company has classified its operations into three segments - Distribution (retail loan/insurance products),Retail Finance and Whole sale Finance. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses and other assets and liabilities are apportioned on appropriate basis.

2.12 Earnings Per Share

The company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on "Earnings per Share". Basic earnings per share are computed by dividing the net Profit or Loss for the year attributable to equity share holders (after deducting attributable taxes) by the weighted average number of Equity Shares outstanding during the period.

Diluted earnings per share are computed by dividing the net Profit or Loss for the year attributable to equity share holders (after deducting attributable taxes)by the weighted average number of Equity Shares outstanding during the period as adjusted for the effects of all diluted potential Equity Shares outstanding as at the year end.

2.13 Investments

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortisation of premium is adjusted against interest income from investments.

The book value of investment is reduced to the extent of amount amortised during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

3 Share Capital

Particulars	As at March 31, 2016	As at March 31, 2015
Authorised: 19,00,00,000 (Previous Year 19,00,00,000) Equity Shares of Rs. 10 each	19,00,000	19,00,000
Issued, subscribed and paid up: 19,00,00,000 (Previous Year 19,00,00,000) Equity Shares of Rs. 10 each Fully Paid Up	19,00,000	19,00,000
	19,00,000	19,00,000

(a) Reconciliation of the number of Equity shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2016		As at March 31, 2015	
	Number of Shares	Rupees	Number of Shares	Rupees
Balance as at the beginning of the year	19,00,00,000	1,90,00,00,000	19,00,00,000	1,90,00,00,000
Changes during the year	-	-	-	-
Balance as at the end of the year	19,00,00,000	1,90,00,00,000	19,00,00,000	1,90,00,00,000

(b) Rights, preferences and restrictions attached to shares

The Company has only one class of Equity shares having face value of Rs 10 each/- per share. Each holder of Equity shares is entitled to one vote per share. All of the above shares are held by the Holding Company, The Federal Bank Ltd and its nominees.

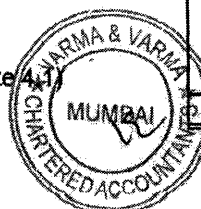
In the event of liquidation of the company, the holders of Equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity shares held by the shareholders.

(c) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company

Particulars	As at March 31, 2016	As at March 31, 2015
Equity Shares		
Equity Shares Held by holding company - Federal Bank Limited	19,00,00,000	19,00,00,000
(Including 405 shares held by nominees)		
Percentage of holding	100%	100%

4 Reserves and Surplus

Particulars	As at March 31, 2016	As at March 31, 2015
(a) Reserves		
(i) Statutory Reserve		
Balance at the beginning of the year	49,331	36,648
Add: Transferred from Profit & Loss Statement (Refer Note 4.1)	24,508	12,683
	73,839	49,331



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

ii) General Reserve		
Balance at the beginning of the year	1,033	1,470
Less: Additional depreciation as per schedule II of companies Act, 2013 (Net of Deferred Tax)	-	(437)
	1,033	1,033
iii) Surplus / (Deficit) in the Profit and Loss Statement		
Balance as at the beginning of the year	6,431	(44,301)
Net Profit for the current year	1,22,542	63,415
Less : Appropriations Transfer to Statutory Reserve (Refer Note 4.1)	(24,508)	(12,683)
	1,04,464	6,431
Total of Reserves & Surplus	1,79,336	56,794

4.1. Statutory Reserve represents the Reserve fund created under Section 45-IC of the Reserve Bank of India Act, 1934. During the current financial year an amount of INR 24,508 thousand (previous year INR 12,683 thousand) has been transferred to the said reserve for the year.



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

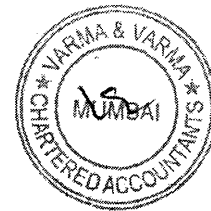
5 Long Term Borrowings

Particulars	As at March 31, 2016	As at March 31, 2015
Secured Loans		
Term Loan From Banks:		
From Related parties :		
Federal Bank (Refer Note No 5.1 & 5.2)	11,50,000	2,40,000
From Others:		
HDFC Bank (Refer Note No 5.1 & 5.2)	1,67,500	37,500
	13,17,500	2,77,500

Note 5.1

Nature of Borrowing & Terms of Repayment	Rate of Interest	Details of Security Offered
<p>Federal Bank :</p> <p>Term Loan I-Rs 100 Crs is repayable in 20 quarterly equal installments of INR 5 Crores each beginning from 25th June, 2015 and ending on 25th March, 2020.</p> <p>Term Loan II- Rs. 100 Crs is repayable in 16 quarterly installments of Rs. 6.25 Crs after moratorium of 12 months beginning from 29th May 2017 and ending on 28th February 2021.</p> <p>HDFC Bank :</p> <p>Repayment Schedule : Quarterly installment beginning from 28th March 2015 and ending on 3rd September, 2020</p>	<p>Interest Rates in the range of 9% to 11%</p>	<p>First Pari passu charge by way of hypothecation of receivables (except gold loan receivables)</p> <p>First Pari passu charge by way of hypothecation of Loan Against Property receivables</p>

Note 5.2 There has been no default as on Balance Sheet date in repayment of loans and interest.



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

6 Long Term Provisions

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits (Refer Note 22.1)		
Provision for Compensated Absences	301	105
Provision for Gratuity	814	167
	1,115	272
Contingent Provision Against Standard Assets (Refer Note 10.3)	9,059	4,441
	10,174	4,713

7 Short Term Borrowings

Particulars	As at March 31, 2016	As at March 31, 2015
Secured Loans		
Loans Repayable on demand from Banks :		
Cash Credit From IDBI Bank (Refer Note No 7.1 & 7.2)	5,00,000	2,99,888
Loans from related parties :		
Cash Credit From Federal Bank Ltd.(Refer Note No 7.1 & 7.2)	14,58,167	14,75,071
Unsecured Loans		
Commercial Paper (Refer Note 7.3)	5,00,000	5,00,000
	24,58,167	22,74,959

7.1. The above facilities are secured by way of first Pari passu charge on entire receivables of the company.

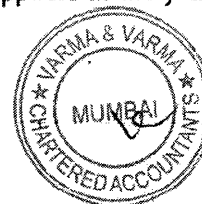
7.2 These facilities carry interest rates in the range of 10% - 12%

7.3. Commercial papers have been issued at discount rates between 8% to 10% p.a.

8 Trade Payables

Particulars	As at March 31, 2016	As at March 31, 2015
Trade Payables -(Refer Note 8.1)	10,512	9,496
	10,512	9,496

8.1. The company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Based on the available information, there are no balances outstanding as payable to such suppliers at the year end.



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

9 Other Current liabilities

Particulars	As at March 31, 2016	As at March 31, 2015
Liability Towards Capital Contracts/goods	1,167	1,401
Book Overdraft	2,10,706	65,728
Current Maturities of Long Term Debt (Refer Note 5.1)		
- From others HDFC Bank	50,000	10,000
- From Related Party - Federal Bank	2,00,000	60,000
Other Payables:		
Withholding Tax and Other Statutory Dues	3,816	6,286
Interest on Loans	9,286	276
Employee Related Payables	14,252	9,280
Advances From Customers	9,228	5,117
Auction Related Payables	5,132	4,620
Provision for CSR Expenses	1,570	-
Other Expenses payable	22,630	20,206
Others	229	130
	5,28,016	1,83,044

10 Short Term Provisions

Particulars	As at March 31, 2016	As at March 31, 2015
<u>Provision for Employee benefits: (Refer Note No 22.1)</u>		
Provision for Compensated Absences	1,724	2,223
Provision for Gratuity	1,085	599
	2,809	2,822
<u>Other Provisions (Refer Note 10.1)</u>		
Provision Against Non Performing Assets (Refer Note 10.2)	3,685	595
Contingent Provision Against Standard Assets (Refer Note 10.3)	9,196	6,473
	15,690	9,890



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

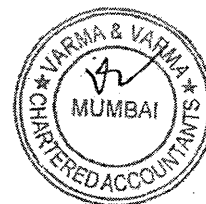
10.1. Movement of Provision for Standard and Non-Performing Assets

As per the "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions,2015 ", Company has created provision for Standard assets as well as Non Performing Assets.

Particulars	As at March 31, 2016	As at March 31, 2015
<u>Provision for Standard Assets</u>		
Standard Assets	60,84,771	38,01,838
Provision at the beginning of the year	10,914	8,495
Additional provision/ (Excess Reversal) Net during the year	7,341	2,419
Provision at the close of the year	18,255	10,914
<u>Provision for Non-Performing Assets</u>		
Total Non Performing Assets	23,576	288
Provision at the beginning of the year	595	18,395
Additional provision/ (Excess Reversal) Net during the year	3,090	(17,800)
Provision at the close of the year	3,685	595

10.2. Provision against non Performing Assets have been classified in accordance with RBI Guidelines, and has been made to the extent specified in such guidelines and has not been netted of against the value of assets disclosed under short term loans and advances (Note No 18).

10.3. Contingent Provision of INR 7,341 thousand (Previous Year INR 2,419 thousand) on a net basis has been made during the current year against standard assets as per "Systemically important Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions,2015 ".



11 Tangible Assets

(Amounts in Thousands)

	Computer Equipments	Office Equipments	Lease Hold Improvements (Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars	Server
Gross Block as at April 1, 2015	17,351 (18,177)	27,681 (30,535)	64,024 (87,418)	31,808 (36,629)	998 (998)	9,087 (9,087)
Additions	659 (409)	3,830 (1,531)	2,938 (695)	307 (31)	-	-
Deletions	78 (1,236)	2,822 (4,385)	4,543 (24,090)	2,146 (4,852)	-	-
Gross Block as at March 31, 2016	17,932 (17,351)	28,689 (27,681)	62,419 (64,024)	29,969 (31,808)	998 (998)	9,087 (9,087)
Impairment as at April 1, 2015	-	-	(5,619)	-	-	-
Additions	-	31 (20)	1,302 (251)	850 (165)	-	-
Deletions	-	-	251 (5,870)	-	-	-
Impairment as at March 31, 2016	-	31 (20)	(4,568) 5,619	850 (165)	-	-
Accumulated depreciation as at April 1, 2015	15,391 (13,814)	20,934 (10,250)	41,971 (35,408)	19,246 (14,996)	613 (385)	5,987 (5,216)
For the year	1,009 (2,672)	5,788 (13,400)	9,157 (14,548)	3,839 (6,272)	143 (228)	771 (771)
Deletions	78 (1,095)	2,416 (2,716)	2,655 (7,986)	1,219 (2,023)	-	-



Accumulated depreciation as at March 31, 2016	16,322 (15,391)	24,307 (20,934)	48,473 (41,971)	21,865 (19,246)	756 (613)	6,758 (5,987)
Total Accumulated Depreciation and Impairment as at March 31, 2016	16,322 (15,391)	24,337 (20,954)	43,904 (36,352)	22,715 (19,411)	756 (613)	6,758 (5,987)
Net block as at March 31, 2016	1,610	4,352	18,515	7,253	242	2,329
Net Block as at March 31, 2015	(1,960)	(6,727)	(27,672)	(12,397)	(385)	(3,101)

12 Intangible Assets

Particulars	Computer Software
Gross Block as at April 1, 2015	38,537 (37,614)
Additions	603 (923)
(Deletions)/ Adjustments	-
Gross Block as at March 31, 2016	39,140 (38,537)
Accumulated depreciation as at April 1, 2015	30,253 (19,206)
For the year	6,547 (11,047)
(Deletions)/ Adjustments	-
Accumulated depreciation as at March 31, 2016	36,800 (30,253)
Net block as at March 31, 2016	2,340
Net Block as at March 31, 2015	(8,284)



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

13. Deferred Tax Assets (Net)

Particulars	As at March 31, 2016	As at March 31, 2015
Deferred tax assets (Net)		
Timing difference on account of :		
Depreciation and Amortisation	23,466	18,557
Disallowances under IT		
Leave Encashment	701	805
Gratuity	657	265
Provision for Sub Standard Assets	75	206
Provision for Burglary loss	1,219	182
Net Deferred Tax Asset	26,118	20,016

14 Long Term Loans and Advances

Particulars	As at March 31, 2016	As at March 31, 2015
Secured & Considered Good:		
Loan Against Property	21,51,811	17,76,489
Loans against Wholesale Lending	8,67,767	1,67,892
Unsecured considered good		
Capital Advances	-	745
Security Deposits - Rental & Others	34,754	31,314
Pre Paid Expenses	3,771	1,972
Withholding and Other Taxes Receivables (net of Provision)	17,718	19,488
	30,75,821	19,97,900

15 Current Investments

Particulars	As at March 31, 2016	As at March 31, 2015
Non Trade Investments in debentures (Unquoted) (valued at cost unless stated otherwise)		
Secured Non - Convertible Debentures		
20% Vijay Citispace Pvt. Ltd. (Refer Note 15.1)	1,217	1,43,335
Less: Premium amortised during the year	(1,217)	(1,731)
	-	1,41,604

15.1 During the FY 15-16 investment in Vijay Citispace Pvt. Ltd. was redeemed by the issuer and the balance premium has been amortised.



FEDERATE FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

16 Trade Receivables (Unsecured)

Particulars	As at March 31, 2016	As at March 31, 2015
16.1 Other Trade Receivables		
Considered good (Refer Note 16.2)	7,266	12,004
	7,266	12,004

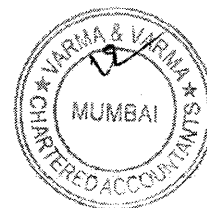
16.2 Trade receivables include amount due from The Federal Bank Ltd (Holding Company) INR 6,121 thousand (Previous year - INR 4,597 thousand).

17 Cash and Cash Equivalents

Particulars	As at March 31, 2016	As at March 31, 2015
- Cash in hand	24,193	24,412
- Balance with Banks		
- Current accounts	9,134	20,065
- Deposit Accounts	8,070	-
- Other Bank Balances		
In other deposit accounts (Maturity more than 3 Months)	-	23,050
	41,397	67,527

18 Short Term Loans and Advances

Particulars	As at March 31, 2016	As at March 31, 2015
Secured		
(a) Considered Good		
Loans against Gold (Refer Note 18.1)	25,21,275	19,08,158
Loans against Property	1,45,627	1,17,191
Loans against Wholesale Lending	3,98,291	2,47,606
Interest Receivable on Loans	1,16,346	1,14,633
	31,81,539	23,87,588
(b) Considered Doubtful		
Loans against Gold (Refer Notes 10.1, 10.2 & 18.1)	211	-
Loans against Property	21,951	-
	22,162	-



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

Unsecured, considered good		
(a) Considered Good		
Advance to Employees	3,273	2,048
Unamortised discount on Commercial Papers	3,466	7,123
Prepaid Expenses	5,619	4,799
Withholding and Other Taxes Receivables (Net of Provision)	5,328	6,730
Advances for Supplies & Services	4,178	4,233
Security Deposits - Rental & Others	2,340	1,668
	24,204	26,601
(b) Considered Doubtful		
Loans against Gold (Refer Notes 10.1, 10.2 & 18.1)	1,216	288
Loans against Gold (Refer Note 18.1 & 18.2)	198	496
Less: Provisions	(198)	(496)
Interest Receivable on Loans (Refer Note 18.2)	19	32
Less: Provisions	(19)	(32)
	1,216	288
	32,29,121	24,14,477

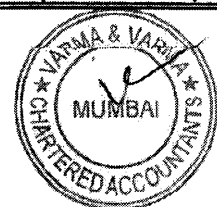
18.1. Disclosure required as per "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2015 ".

Particulars	As at March 31, 2016	As at March 31, 2015
Loans granted against collateral of gold Jewellery	25,22,702	19,08,446
Total assets of the Company	64,19,395	47,16,396
Percentage of Loans granted against collateral of gold jewellery to Total Assets	39.30%	40.46%

18.2. During the Financial Year 2014-15, burglary occurred at one of the company's branches. Settlement was done to customers and the balance amount mentioned has been retained in books and provided for.

19 Other Current Assets

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured and considered good		
Interest Receivable on Fixed Deposits	622	329
Service Tax Input Credit Receivable	1,339	1,272
Reimbursement receivable from the Holding company	1,070	740
	3,031	2,341



20 Revenue from Operations

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
(a) Retail Finance		
Interest/Other Charges on Gold Loans	4,32,683	3,98,924
Interest/Other Charges on Loan Against Property	2,72,727	2,29,177
(b) Whole sale Finance		
Interest/Other Charges on Wholesale Lending	1,35,909	42,383
(c) Other Financial Services		
Commission Income	35,420	50,850
(d) Interest from Debentures	4,814	52,060
Less: Premium Amortisation	(1,217)	(1,731)
Net Income	3,597	50,329
	8,80,336	7,71,663

21 Other Income

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Fees for Provision of Facilities/ Services	6,664	14,279
Interest on fixed deposits	1,411	2,052
Interest on Income Tax Refunds	818	-
Insurance Claim	1,443	-
Profit on sale of Fixed assets	151	-
Profit on Sale Of Mutual Fund units (Net)	1,114	-
Expenses and provisions write back	23	1,858
Miscellaneous Income	2,852	2,477
	14,476	20,667

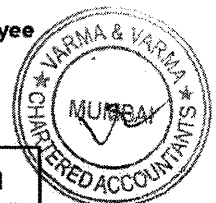
22 Employee Benefit Expenses

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Salaries and other allowances	1,96,780	1,93,104
Contribution to Provident and other Funds (Refer Note 22.1)	10,854	11,182
Staff Welfare Expenses	5,969	6,615
	2,13,603	2,10,901

22.1. Disclosures of employee benefits as required by the accounting standard 15 (Revised) employee benefits are as under:

a) Defined Contribution Plan

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Provident Fund	9,440	9,432
Employee State Insurance	1,414	1,750
	10,854	11,182

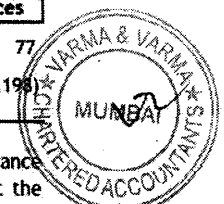


b) Defined Benefit Plan :

Gratuity (Unfunded) & Long term employee Benefits- Compensated absences-Vesting (Unfunded).

Particulars	Gratuity		Compensated Absences	
	Current year	Previous Year	Current year	Previous Year
i Reconciliation of opening and closing balances of defined benefit Obligation :				
1 PYO at the beginning of the year	766	1,489	2,254	2,613
2 Current Service cost	1,788	470	920	2,368
3 Interest Cost	55	110	139	195
4 Actuarial (gains) / losses	(592)	(820)	(487)	(2,121)
5 Benefits paid	(118)	(482)	(924)	(801)
6 Short Term Compensated Absence Liability	-	-	123	73
7 Present value of Defined Benefit Obligation as at the end of the year	1,899	766	1,902	2,254
ii Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :				
1 Fair value of Plan assets as at the beginning of the year	-	-	-	-
2 Expected return on plan assets	-	-	-	-
3 Actuarial gains/ (losses)	-	-	-	-
4 Actual contributions	118	482	924	801
5 Benefits paid	(118)	(482)	(924)	(801)
6 Fair value of Plan assets as at the end of the year.	-	-	-	-
7 Short Term Compensated Absence Liability	-	-	123	73
8 Funded Status	(1,899)	(766)	(1,902)	2,254
iii Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :				
1 Present value of Defined Benefit Obligation	1,899	766	1,902	2,254
2 Fair value of plan assets	-	-	-	-
3 Funded status	(1,899)	(766)	(1,902)	(2,254)
4 Unrecognized Past Service Costs	-	-	-	-
5 Net asset/(Liability) recognized in Balance Sheet	(1,899)	(766)	(1,902)	(2,254)
iv Expenses recognized in the Profit and Loss statement for the year ended 31st March, 2016				
1 Current Service cost	1,788	470	920	2,368
2 Interest cost	55	110	139	195
3 Expected return on plan assets	-	-	-	-
4 Past Service cost	-	-	-	-
5 Actuarial Losses/(Gains)	(592)	(820)	(487)	(2,121)
6 Short Term Compensated Absence Liability	-	-	123	73
7 Total expense recognized in the Profit & Loss Statement	1,251	(240)	572	442
v Principal Actuarial Assumptions :				
1 Discount Rate (%)	7.83%	7.74%	7.83%	7.74%
2 Expected Return on plan assets (%)	-	-	-	-
3 Salary Escalation (%)	7.75%	6.00%	7.75%	6.00%
4 Mortality	-	IALM (2006-08) Ultimate	-	-
vi Experience History				
1 (Gain)/Loss due on obligation due to change in assumption	380	(1,155)	18	77
2 Experience (Gain)/Loss on Obligation	(972)	335	(505)	(2,198)
3 Actuarial Gain/(Loss) on plan assets	-	-	-	-

The Discount rate is based on the benchmark yields available on Indian Government bonds as at the Balance Sheet date with terms matching that of the liabilities and the salary increase rates takes into account the inflation, seniority, promotion and other relevant factors.



FEDBANK FINANCIAL SERVICES LIMITED

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

23 Finance Costs

(Amounts in Thousands)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Interest on Cash Credit Facility	16,832	38,628
Interest on Working Capital Demand Loan	-	2,233
Interest on Term Loan	52,804	1,623
Discount on Commercial Paper	1,80,045	1,65,448
Other Finance Costs	4,506	4,581
	2,54,187	2,12,513

24 Other Expenses

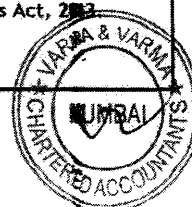
Particulars	Year ended March 31, 2016	Year ended March 31, 2015
Electricity Charges	5,446	5,302
Rent	50,798	57,776
Repairs & Maintenance:		
Buildings	627	271
Machinery	764	1,693
Others	14,505	13,545
Postage & Telephones	12,957	16,528
Travelling & Conveyance Expenses	11,858	12,501
Insurance	2,625	3,426
Rates & Taxes	327	258
Legal & Professional Charges	15,035	11,377
Advertisement & Business Promotion	3,480	3,489
Commission Paid	26,270	33,836
Sourcing Expenses	3,087	4,957
Office Expenses	4,870	5,355
Printing & Stationery	4,048	3,782
Recruitment Charges	864	713
Provision/(Excess Reversal) for Loss Assets (Refer Note 10.2)	1,090	(13,747)
Provision for Sub Standard Assets (Net of Recovery)	2,001	(3,923)
Provision for Doubtful Debts	-	(130)
Provision/(Excess Reversal) for Standard Assets (Refer Note 10.3)	7,341	2,420
Provision for Impairment of tangible Assets	1,746	436
Loss on Burglary	-	20,206
Bad Debts Written Off	-	10,005
Security Expenses	17,959	17,662
Valuation Charges	8,865	11,624
Loss on sale of tangible fixed Assets (Net)	2,354	5,960
Corporate Social Responsibility (CSR) Expenses (Refer Note 24.2)	1,570	259
Sitting Fees to Directors	3,154	2,198
Audit Expenses (Refer Note 24.1)	900	788
Service Tax Expenses	3,877	-
Miscellaneous Expenses	2,736	6,088
	2,11,153	2,34,656

24.1 Audit Expenses Include Payment to Auditors (Net of Service Tax)

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
As Auditor	800	500
For Other Matters	50	-
For Reimbursement of Expenses	50	288
	900	788

24.2 Corporate Social Responsibility (CSR) Expenditure

The Company has made provision for CSR expenses in accordance with the provisions of The Companies Act, 2013. The details of the same is contained in Annexure - 2 to the Directors' Report.



25. Earnings per Share (Basic and Diluted)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Net Profit after tax (Rs. In Thousands)	1,22,542	63,415
Weighted average number of equity shares outstanding	19,00,00,000	19,00,00,000
Earning Per Share (Rs.)		
Basic and Diluted (Face value of Rs. 10 per share)	0.64	0.33

26. Contingent Liabilities

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Disputed Income Taxes ⁽¹⁾	3,218	3,218
Other Sums contingently liable for ⁽²⁾	2,260	-
Total	5,478	3,218

[1]. The Assessing Officer has disagreed with the treatment of certain expenses in connection with the return of income tax return filed by the company and accordingly raised a demand of Rs 3,218 thousand. This has been challenged by the company before the Commissioner of Income Tax (Appeals). However, during the current year the disputed demand of Rs 3,218 thousand was adjusted against refund amount for AY 2013-14

[2]. The Payment of Bonus Act, 1979 was amended with retrospective effect during the year, the estimated probable additional cost to the Company on account of this to the extent it pertains to the earlier financial year has not been considered a liability by placing reliance on Kerala High Court judgement which has stayed this matter and accordingly disclosed as contingent liability.

[3]. Certain customers of the company have filed suits in consumer/civil courts for auctioning of their gold ornaments or for obtaining of stay order against auction of their pledged gold. The management does not expect any material liability from such suits.

27 RELATED PARTY DISCLOSURES

(i) List of Related parties and the nature of relationship:

a) Holding Company

The Federal Bank Limited

b) Key Management Personnel

Shardul Kadam, Manager (From 28/10/2015)

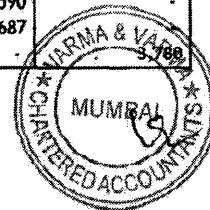
Shardul Kadam, CFO (From 25/06/2015 to 27/10/2015)

Manish Marothiya, Company Secretary (From 24/04/2015 till 12/10/2015)

Ashok Das, Manager (Till 30/04/2015)

(ii) Transactions :-

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
(a) Holding Company		
Transactions during the year:		
Interest Income from Fixed Deposits	1,411	2,052
Commission Income	35,413	50,802
Interest paid on Cash Credit Facility & Term Loan	52,617	37,754
Re-imbursments of Expenses by Holding Company	5,748	6,017
Rent paid	9,042	8,749
Security deposit adjusted or refunded	-	1,599
Travelling Expenses	117	127
Discount on Commercial Papers	11,119	-
Reimbursement of Salary to Holding Company	-	788
Closing Balances in:		
- Fixed Deposit Accounts	8,070	23,050
- Interest On Fixed Deposit with Bank	-	329
- Current Account - Receivable/(Payable)	(3,23,248)	(55,368)
- Borrowings Cash credit facility	14,58,167	14,75,071
- Borrowings Term Loan	13,50,000	3,00,000
- Account Receivable	7,191	5,337
- Account Payable	1,582	1,529
(b) Key Management Personnel		
Remuneration to Manager (Ashok Das)	855	5,541
Remuneration to Manager (Shardul Kadam)	2,003	-
Remuneration to CFO (Shardul Kadam)	1,590	-
Remuneration to Company Secretary (Manish Marothiya)	687	-
Remuneration to Company Secretary (Dilip Maloo)	-	-



FEDBANK FINANCIAL SERVICES LIMITED

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

(Amounts in Thousands)

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

Category	Amount net of provisions*		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties-Holding Company	NIL	NIL	NIL
2. Other than related parties	60,84,771	23,576	61,08,347
Total	60,84,771	23,576	61,08,347

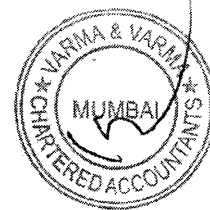
* Contingent Provision on Standard Assets has not been netted off as per prudential norms

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

Category	Market Value / Break up or fair value or NAV	Book Value
		(Net of Provisions)
1. Related Parties		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	NIL	NIL
Total	NIL	NIL

7. Other information

Particulars	Amount(Rs thousands)
(i) Gross Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	23,576
(ii) Net Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	19,891
(iii) Assets acquired in satisfaction of debt	NIL



29. Disclosure in balance sheet required as per "Systemically Important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2015

29.1 Capital to Risk Assets Ratio (CRAR):

Particulars	As at March 31,	As at March
	2016	31, 2015
	%	%
CRAR	32.81	42.05
CRAR - Tier I capital	32.52	41.01
CRAR - Tier II Capital	0.29	0.24
Amount of subordinated debts raised as tier-II capital	-	-
Amount raised by the issue of perpetual debt instruments	-	-

29.2 Asset Liability Management :-

Maturity pattern of certain items of assets and liabilities as at 31st March, 2016. (As compiled by the management)

(Amounts in Thousands)

	1 day to 30/31 days (One Month)	1 Month to 2 Months	2 Months to 3 Months	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	Total
Liabilities :									
Borrowings from banks	4,58,167	-	62,500	62,500	16,25,000	10,00,000	3,17,500	-	35,25,667
Market Borrowings	2,50,000	2,50,000	-	-	-	-	-	-	5,00,000
	-	(5,00,000)	-	-	-	-	-	-	(5,00,000)
Assets :									
Advances	34,522	34,125	49,142	13,06,719	15,90,120	11,95,012	5,11,633	13,87,074	61,08,346
Investments	(30,561)	(34,700)	(96,046)	(97,517)	(13,49,390)	(9,80,166)	(3,74,145)	(12,55,098)	(42,17,624)
	-	-	-	-	(1,41,604)	-	-	-	(1,41,604)

Figures in brackets are related to the previous year



29.3 Exposure to Real Estate Sector

(Amounts in Thousands)

Category	Year ended March 31, 2016	Year ended March 31, 2015
a) Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:	14,38,454	11,54,270
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estate's (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:	21,46,992	11,63,191
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential		
b. Commercial Real Estate		1,41,604

29.4 Registration obtained from Financial Sector Regulators

Regulator	Registration No.
1. Reserve Bank of India	Certificate of Registration No. 16.00187

29.5 Ratings assigned by the credit rating agencies and migration of ratings during the Financial Year

Particular	Rating
Long Term	CARE AA-
Short Term	CRISIL A1+

29.6 Provisions and Contingencies

Particulars	As at March, 2016	As at March, 2015
Break up of 'Provisions & Contingencies' shown under the head Expenditure in the Profit and Loss Account		
Provision towards NPA	3,685	595
Provision made towards Income Tax	72,172	27,061
Other Provision & Contingencies (Refer Note 26 & 29.6.1)	9,619	6,839
Provision for Standard Asset	18,255	10,914

Note: 29.6.1. Other Provision includes Provision for Employee Benefits, Burglary & Corporate Social Responsibilities.



29.7 Concentration of Deposit, Advances, Exposures and NPAs

29.7.1 Concentration of Advances

(Amount in Thousands)	
Total Advances to twenty largest borrowers	13,53,662
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	22.16%

29.7.2 Concentration of Exposures

(Amount in Thousands)	
Total Exposure to twenty largest borrowers/customers	14,56,689
Percentage of Exposures to twenty largest borrowers/customers to Total Advances of the NBFC on borrowers/customers	23.85%

29.7.3 Concentration of NPAs

(Amount in Thousands)	
Total Exposure to top four NPA accounts	23,610

29.7.4 Sector Wise NPAs

Sector	Percentage of NPAs to total advances in that sector
1. Agriculture & allied activities	-
2. MSME	-
3. Corporate Borrowers	-
4. Services	-
5. Unsecured Personal Loans	-
6. Auto Loans	-
7. Other Personal Loans	0.38%

29.8 Movement of NPAs

Particulars	(Amount in Rs. Thousand)	
	Year ended 31.03.2016	Year ended 31.03.2015
(i) Net NPAs to Net Advances (%)	0.31%	0.00%
(ii) Movement of NPAs (Gross)		
a) Opening balance	288	15,584
b) Additions during the year	38,964	54,983
c) Reductions during the year	15,676	70,280
d) closing balance	23,576	288



(iii) Movement of Net NPAs		
a) Opening balance	-306	-2,810
b) Additions during the year	33,922	49,034
c) Reductions during the year	13,761	46,530
d) closing balance	19,855	-306
(iv) Movement of provision for NPAs (Excluding provisions on standard assets)		
a) Opening balance	594	18,394
b) Provisions made during the year	5,042	5,950
c) Write-off/ write-back of excess provisions	1,915	23,750
d) closing balance	3,721	594

29.9 Details of Auction conducted during the year

Particulars	Year ended	Year ended
	31.03.2016	31.03.2015
Number of Loan Accounts	4,281	5,382
Outstanding Amounts (Amount in INR)	24,74,05,491	45,10,76,824
Value fetched from the Auction (Amount in INR)	24,17,45,801	37,95,61,449

29.10 Details of Customer Complaints

(a) No. of complaints pending as on 1st April, 2015	-
(b) No. of complaints received during the year	16
(c) No. of complaints redressed during the year	16
(d) No. of complaints pending as on 31st March, 2016	-

30 Segment Reporting

In terms of the the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014, the company's operations are classified into three business segments as described in the accounting policy and the information on the same is as under:

(Amounts in Thousands)

Business Segments	Distribution		Retail Finance		Whole Sale Finance		Total	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Segment Revenue	35,420	50,850	7,05,410	6,28,101	1,39,506	92,712	8,80,336	7,71,663
Segment Expenditure *	56,190	70,354	5,11,926	5,23,375	51,084	32,033	6,19,200	6,25,762
Allocated Expenditure (Net)	3,513	6,724	71,487	65,935	12,353	8,584	86,998	81,243
Results	(24,283)	(26,228)	1,21,997	38,791	76,070	52,095	1,74,138	64,658
Unallocated Income							12,247	18,610
Interest Income on FD & Income Tax Refund							2,229	2,052
Profit/(Loss) before Tax							1,88,614	85,321
Income Taxes							66,072	21,905
Net Profit/(Loss)							1,22,542	63,416

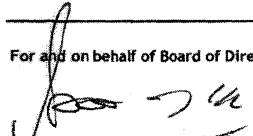


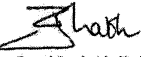
		Other Information							
Segment Assets		14,594	15,694	47,53,978	38,75,128	11,91,213	7,00,617	59,59,785	45,91,439
Unallocated Assets								4,59,610	1,25,485
Total Assets		14,594	15,694	48,43,562	38,75,128	12,19,713	7,00,617	64,19,395	47,16,924
Segment Liabilities		10,239	6,039	33,68,803	23,68,861	8,67,699	3,40,599	42,46,741	27,15,499
Unallocated Liabilities								93,318	44,631
Total Liabilities		10,239	6,039	34,55,719	23,68,861	8,99,493	3,40,599	43,40,059	27,60,130
Capital Expenditure		187	21	6,248	2,946	222		6,657	2,967
Unallocated Capital Expenditure								1,680	792
Depreciation/ Amortisation		980	1,464	23,748	43,920	716	880	25,444	45,384
Impairment of Fixed Assets			17	1,746	6,410			1,746	6,427
Unallocated Depreciation								1,811	2,226

The Company has only Domestic Geographic Segment and hence no secondary segment disclosures are made.

31. Previous year's figures have been regrouped / reclassified wherever necessary, to make them comparable with the current year's figures. Certain disclosures have become applicable for the first time during the year as the Company has become Systemically Important NBFC, hence previous year figures are not disclosed.

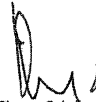
For and on behalf of Board of Directors

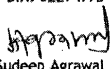

Suresh Kumar
Chairman
DIN: 00494479



Gauri Rushabh Shah
Director
DIN: 06625227


Shardul Kadam
President

Place: Mumbai
Date: 27/04/2016

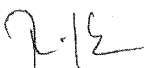

Shyam Srinivasan
Director
DIN: 02274773


Sudeep Agrawal
CFO


Ankit Kawa
Company Secretary
M. No. A44317



As per our report of even date attached
For Varma & Varma
Chartered Accountants
FRN 0045325


R Kesavadas
Partner
M.No 23862

Place: Mumbai
Date: 27/04/2016