

PIRAMAL FINANCE LIMITED

CIN: U99999MH1974PLC129493

Regd. Office: 1st Floor, Piramal Tower Annexe, Ganpatrao Kadam Marg,
Lower Parel, Mumbai 400 013.

Tel No.: +91 22 3046 6969 Fax: +91 22 3046 7855

BOARD'S REPORT

Dear Shareholders,

Your Directors have pleasure in presenting their 43rd Annual Report on the business and operation of the Company and the Audited Financial Statement for the Financial Year ended March 31, 2017.

Financial Highlights (Standalone)

(Rs. in lakhs)

| Particulars | For the Year ended on 31 st March, 2017 | For the Year ended on 31 st March, 2016 |
|---|---|---|
| Income | 1,49,241 | 14,246 |
| Expenditure | 1,20,008 | 8,520 |
| Profit before taxation | 29,233 | 5,726 |
| Current Tax (including deferred tax credit) | 9,905 | 2,004 |
| Profit for the year | 19,328 | 3,722 |

Note: Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

Brief description of the Company's working during the year / State of Company's affair

The loan books of the company as at 31st March, 2017 stood at Rs. 18,999 crores compared to the loan book amount of Rs. 733.63 crores. The Company is engaged in the business of wholesale funding across real estate and non-real estate sectors. It offers funding across the entire capital stack, ranging from structured debt, senior secured debt and construction finance to flexi lease rental discounting (within real estate). On the other non-real estate sectors, the Company is building a sector agnostic corporate lending book. It started with infrastructure and over a period of time have added renewable energy, cement, auto components, logistics etc. to the focus areas. Within these sectors the Company provides the entire gamut of credit solutions.

During the year under consideration the Company has acquired (i) identified Assets aggregating Rs. 13,950 crores including investment(s) in NCDs, receivables arising out of ICDs as well as Term Loans granted by the Company, and other Financial Assistance (whether in form of investments or loans) provided to other companies or entities, together with accrued interest, and (ii) identified Liabilities aggregating to approximately Rs. 12,511 crores including funds raised by way of issuance of NCDs, CPs and/or financial assistance availed from banks, financial institutions, including, non-banking financial companies, or other bodies corporate, forming part of the financial services business of Piramal Enterprises Limited ("PEL"), company holding 100% equity shares of the Company. The net consideration of Rs. 1,439 crores, was discharged partially by way of issue and allotment of equity shares and partially in cash to PEL.

Conversion of the Company

During the year, the Company was converted into a Public Limited Company and consequently the name of the of the Company was changed from Piramal Finance Private Limited to Piramal Finance Limited vide the new certificate of incorporation dated 6th January, 2017 granted by the Registrar of Companies, Maharashtra, Mumbai.

Transfer to Reserves

During the year, an amount of Rs. 3,866 lakhs out of surplus balance in profit and loss account were transferred to Statutory Reserves.

Dividend

In order to conserve resources for the future growth of the Company, your Board of Directors has not recommended any dividend for the year ended March 31, 2017.

Capital Adequacy

The Company's capital adequacy ratio was 20.59% as on March 31, 2017, which is significantly above the threshold limit of 15% as prescribed by the Reserve Bank of India ('RBI').

Share Capital

During the year under review, the Company has issued and allotted 2,56,89,81,152 equity shares of 10/- each on a rights basis, in consideration of acquisition of assets and liabilities pertaining to financial services business of PEL.

Deposit

Your Company has not accepted any deposit from the public and as such, no amount of principal or interest was outstanding as on the balance sheet date.

RBI Guidelines

As a Systemically Important Non-Deposit taking Non-Banking Finance Company, the Company always strives to operate in compliance with applicable RBI guidelines and regulations and employs its best efforts towards achieving the same.

Adequacy of Internal Financial Controls

The Internal Financial Controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements. The Company has adequate internal financial controls in place with reference to financial statements. These are continually reviewed by the Company to strengthen the same wherever required. The internal control systems are supplemented by internal audit carried out by an independent firm of Chartered Accountants and periodical review by management. The Audit and Risk Committee of the Board addresses issues raised by both the Auditors.

Listing of Debt Securities

During the year under consideration the Company has listed its debt securities on National Stock Exchange of India Limited in compliance with the provisions of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

Subsidiary/Joint Ventures/Associate Companies

Your Company has incorporated a wholly owned subsidiary, Piramal Housing Finance Private Limited on 10th February, 2017 which has applied to the National Housing Bank for registration to commence Housing Finance business on 28th February, 2017. The same is expected to be received in due course of time.

Statutory Auditors and Auditor's Report

The Auditors Report does not contain any qualification, reservation or adverse remark on the financial statements for the year ended 31st March, 2017. The statements made by the Auditors in their Report are self - explanatory and do not call for any further comments.

In accordance with Section 139 of the Companies Act, 2013, M/s. B S R & Co., LLP, were re-appointed by the shareholders of the Company at the Annual General Meeting ('AGM') held on 25th July 2014, as Statutory Auditors for a period of 5 years to hold office until the conclusion of the AGM of the Company in calendar year 2019.

In accordance with the provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013 and of the Companies (Audit and Auditors) Rules, 2014, the appointment of the Statutory Auditors is required to be ratified by the shareholders at every AGM during their tenure.

M/s. B S R & Co., LLP, have confirmed that they are eligible for having their appointment as Statutory Auditors ratified at this AGM. Accordingly, approval of shareholders is being sought at this AGM for ratification of their appointment.

Corporate Social Responsibility

The Annual Report on Corporate Social Responsibility activities for FY 2017 is enclosed as **Annexure A**.

Extract of the annual return

The extract of the Annual return in Form MGT-9 is annexed herewith as **Annexure B**.

Directors and Key Managerial Personnel

During the year, there is no change in the Board of Directors Company.

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

In accordance of the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Vijay Kantilal Shah (DIN:00021276), Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment. A requisite resolution for the appointment of aforesaid Director along with explanatory statement thereto has been annexed with the Notice for the members of the Company.

Following changes in the Key Managerial Personnel took place during the year:

- a. Mr. Amit Vyas resigned as Company Secretary w.e.f. 22nd July, 2016
- b. Mr. Ankit Singh was appointed as Company Secretary w.e.f. 1st August, 2016.

Management Discussion and Analysis Report

Management Discussion and Analysis Report is annexed herewith as **Annexure C**.

Board Evaluation

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

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

Number of meetings of the Board of Directors

During the year 5 (five) Board Meetings were held and the gap between the two Board Meetings was not more than one hundred and twenty days, thereby complying with applicable statutory requirements.

Audit and Risk Committee

The Audit and Risk Committee of the Company comprises of three members, consisting of Independent and Non-Executive Directors as below:

| Name | Designation | Category |
|---------------------|--------------------|------------------------|
| Mr. N. Vaghul | Chairman | Independent Director |
| Mr. Harish Engineer | Member | Independent Director |
| Mr. Anand Piramal | Member | Non-Executive Director |

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Considering the nature of the business in which Company is engaged, the disclosure as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, is not given. There is no foreign exchange earnings during the financial year 2016-17. However, the foreign exchange outgo during the financial year 2016-17 is Rs. 323 lakhs.

Vigil Mechanism / Whistle Blower Policy for Directors and Employees

The Company has established a Vigil Mechanism, which includes a Whistle Blower Policy, for its Directors and Employees, to provide a framework to facilitate responsible and secure reporting of concerns of unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct & Ethics. The Whistle Blower Policy is posted on the website of the Company and the weblink to the same is <http://www.piramalfinance.com/policy.php#wbp>.

Nomination and Remuneration Policies

The Board of Directors has formulated a Policy which lays down a framework for selection and appointment of Directors and Senior Management and for determining qualifications, positive attributes and independence of Directors.

The Board has also formulated a Policy relating to remuneration of Directors, members of Senior Management and Key Managerial Personnel.

Details of the Nomination Policy and the Remuneration Policy are given in **Annexure D**.

Particulars of loans, guarantees or investments under section 186

The Company is Systematically Important Non – Banking Finance Company registered with Reserve Bank of India, hence the provisions of Section 186 of the Companies Act, 2013 is not applicable to the Company.

Related Party Transactions

During the year, the Company had entered into contract/arrangement/ transaction with related parties which were in ordinary course of business and on arm's length basis, except for a transaction which was at arms' length but was considered as material in nature. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is enclosed as **Annexure E**.

Managerial Remuneration

A) Remuneration to Directors and Key Managerial Personnel

- i. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY2017, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY2017 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

| Sr. No. | Name Of Director / KMP And Designation | Remuneration Of Director/KMP For FY 2017 (₹ In Lakhs) | % Increase / Decrease In Remuneration In FY 2017 | Ratio Of Remuneration Of Each Whole – Time Director To Median Remuneration Of Employees |
|----------------|---|--|---|--|
| 1. | Ajay Gopikisan Piramal Chairman | - | - | - |
| 2. | Swati Ajay Piramal Non-Executive Director | - | - | - |
| 3. | Anand Ajay Piramal Non-Executive Director | - | - | - |
| 4. | Vijay Kantilal Shah Non-Executive Director | - | - | - |
| 5. | Narayanan Vaghul Independent Director | 4 | N.A. | - |
| 6. | Harish Hansubhai Engineer Independent Director | 4 | N.A. | - |
| 7. | Khushru Burjor Jijina Managing Director | *39.81 | 100% | - |
| 8. | Ujas S. Popat Chief Financial Officer | - | - | - |
| 9. | Amit Vyas Company Secretary (resigned w.e.f. 22 nd July, 2016) | - | - | - |
| 10. | Ankit Singh Company Secretary (appointed w.e.f. 1 st August, 2016) | - | - | - |

*Remuneration paid for one month

Note: Independent Directors are entitled to sitting fees and commission as per the statutory provisions and within the limits approved by shareholders. Remuneration details for Independent Directors, in the above table, comprises of sitting fees. Details in the corresponding columns are applicable for Whole-time Directors and KMPs.

- i. The median remuneration of employees of the Company during FY2017 was ₹ 20,08,500;
- ii. In the financial year, there was an decrease of 11% in the median remuneration of employees;
- iii. There were 111 permanent employees on the rolls of the Company as on March 31, 2017.
- iv. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. FY2017 was 16 %.As regards comparison of Managerial Remuneration of FY2017 over FY2016, details of the same are given in the above table at sr. no. i.
- v. It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

B) Employee Particulars

Details of employee remuneration as required under provisions of Section 197 of the Companies Act, 2013 and Rule 5(2) & 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate statement forming part of this Report. Further, this report is being sent to the Members excluding the said statement. The said statement is available for inspection of members at the Registered Office of the Company during working hours upto the date of the Annual General Meeting and shall be made available to any shareholder on request. The said statement is also available on your Company's website, the weblink to which is <http://www.piramalfinance.com>.

- I) None of the Whole-Time Directors received any commission nor any remuneration from any of the Company's subsidiaries.
- II) The following details are given in the Report on Corporate Governance forming part of this Annual Report:
 - (i) all elements of remuneration package of all the directors;
 - (ii) details of fixed component and performance linked incentives of Whole-Time Directors along with the performance criteria;
 - (iii) service contracts, notice period, severance fees of Whole-Time Directors;
 - (iv) stock option details of Whole-Time Director;

Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and the Rules made thereunder, the Company has appointed M/s N. L. Bhatia and Associates, Practicing Company Secretaries (C.P. No. 422) as the Secretarial Auditor of the Company. The Secretarial Audit Report is annexed as **Annexure F** and forms an integral part of this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Risk Management Policy

The Company has a robust Risk Management framework to identify, measure and mitigate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the

business objective and enhance the Company's competitive advantage. This risk framework thus helps in managing market, credit and operations risks.

Directors' Responsibility Statement

Your Directors state that:

- (a) in the preparation of the annual financial statements for the year ended March 31, 2017, the applicable accounting standards have been followed with no material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- (c) 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;
- (d) the Directors have prepared the annual financial statements on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively; and
- (f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Others

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to issue of equity shares including sweat equity shares and shares with differential rights as to dividend, voting or otherwise, since there was no such issue of shares.
2. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Your Directors further state that during the year under review, there were no cases filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Acknowledgements

We take this opportunity to thank the employees for their dedicated service and co-operation in the functioning of the Company. We also thank the Shareholders and Company's Bankers for their continued support to the Company

For and on behalf of the Board of Directors

Place : Mumbai
Date : 10th May, 2017

Sd/-
Ajay G. Piramal
Chairman

ANNEXURE - A

Annual Report on Corporate Social Responsibility activities for the financial year 2016-17

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.

Piramal Foundation is the strategic CSR arm of the group. Piramal Foundation develops innovative solutions to resolve issues that are critical roadblocks towards unlocking India's economic potential. Foundation believes that considerable positive change can occur, when we collaborate with likeminded partners and nurture projects that are scalable ensuring a long term impact.

The CSR policy of the Company is guided by the core values of the Group, namely, Knowledge Action and Care.

The social projects that are chosen to be funded by PFPL lie within one of the broad areas of healthcare & education.

Piramal Swasthya is our unique model providing healthcare facilities to rural India.

Piramal Foundation for Education Leadership (PFEL) is focused on creating leadership capacity in the education sector. The CSR policy of the Company is guided by the core values of the Group, namely, Knowledge Action and Care.

Web link to CSR Policy: <http://www.piramalfinance.com/policy.php#csr>

2. The Composition of the CSR Committee

Chairman – Mr. Ajay G. Piramal

Member – Mr. Anand Piramal

Member – Mr. Narayan Vaghul(Independent)

3. Average net profit of the company for last three financial years

Rs.144.58 crores

4. Prescribed CSR Expenditure

Rs.2.89 crores

5. Details of CSR spent during the financial year:

(a) Total amount spent for the financial year –Rs.8.54 crores

(b) Amount unspent, if any – NIL

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

Rs.in crores

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|-------|------------------------------|------------|-----------------------------------|---|--|---|--|
| S. No | CSR Project / Activity | Sector | Locations | Amount outlay (budget) project or programs wise | Amount spent on the projects or programs | Cumulative expenditure upto to the reporting period | Amount spent directly or through Implementing Agency |
| 1 | Providing Primary Healthcare | Healthcare | Andhra Pradesh, Telangana, Assam, | 7.04 | 7.04 | 30.07 | Implementing Agency - Piramal |

| | | | | | | | |
|---|---|-----------|---|------|------|-------|---|
| | | | Rajasthan, Maharashtra, Karnataka, Chhattisgarh, Jharkhand, Arunachal Pradesh, Odisha, West Bengal | | | | Swasthya Management & Research Institute |
| 2 | Building Leadership of Government Schools | Education | Rajasthan | 1.50 | 1.50 | 2.96 | Implementing Agency - Piramal Foundation for Education Leaders |
| | TOTAL | | | 8.54 | 8.54 | 33.03 | |

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.

Not Applicable

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

The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.

Sd/-
Ajay G. Piramal
Chairman

Sd/-
Anand Piramal
Director

ANNEXURE - B**FORM NO. MGT 9****EXTRACT OF ANNUAL RETURN**

as on financial year ended on 31.03.2017

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I REGISTRATION & OTHER DETAILS:

| | | |
|-----|---|---|
| i | CIN | U99999MH1974PLC129493 |
| ii | Registration Date | 23/02/1974 |
| iii | Name of the Company | Piramal Finance Limited |
| iv | Category/Sub-category of the Company | Company Limited by shares / Indian Non-Government Company |
| v | Address of the Registered office & contact details | 1st Floor, Piramal Tower Annexe, Ganpat Rao Kadam Marg, Lower Parel West, Mumbai 400013 |
| vi | Whether listed company | Unlisted |
| vii | Name , Address & contact details of the Registrar & 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 & Description of main products/services | NIC Code of the Product /service | % to total turnover of the company |
|-------|---|----------------------------------|------------------------------------|
| 1 | Other financial service activities, except insurance and pension funding activities, n.e.c. | 64990 | 100% |

III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

| SI No | Name & Address of the Company | CIN/GLN | HOLDING/ SUBSIDIARY/ ASSOCIATE | % OF SHARES HELD | APPLICABLE SECTION |
|-------|---|-----------------------|--------------------------------|------------------|--------------------|
| 1 | Piramal Enterprises Limited | L24110MH1947PLC005719 | Holding Company | 100% | 2(46) |
| 2 | Piramal Housing Finance Private Limited | U65999MH2017PTC291071 | Subsidiary Company | 100% | 2(87) |

IV SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)
(i) Category-wise shareholding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % change during the year |
|---|---|------------------|------------------|-------------------|---|-------------------|-------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/HUF | 0 | 1000 | 1000 | 0 | 0 | 1000 | 1000 | 0 | 0 |
| b) Central Govt.or State Govt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Bodies Corporates | 0 | 425419000 | 425419000 | 100.00 | 0 | 2994400152 | 2994400152 | 100.00 | 0.00 |
| d) Bank/FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Any other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB TOTAL:(A) (1) | 0 | 425420000 | 425420000 | 100.00 | 0 | 2994401152 | 2994401152 | 100.00 | 0.00 |
| (2) Foreign | | | | | | | | | |
| a) NRI- Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Other Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Bodies Corp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Banks/FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Any other... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB TOTAL (A) (2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Shareholding of Promoter | | | | | | | | | |
| (A)= (A)(1)+(A)(2) | 0 | 425420000 | 425420000 | 100.00 | 0 | 2994401152 | 2994401152 | 100.00 | 0.00 |
| B. PUBLIC SHAREHOLDING | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| a) Mutual Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Banks/FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C) Cenntal govt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) State Govt. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Venture Capital Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| f) Insurance Companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| g) FIIS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| i) Others (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB TOTAL (B)(1): | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (2) Non Institutions | | | | | | | | | |
| a) Bodies corporates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| i) Indian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ii) Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| i) Individual shareholders holding nominal share capital upto Rs.1 lakhs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Others (specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB TOTAL (B)(2): | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Public Shareholding | | | | | | | | | |
| (B)= (B)(1)+(B)(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total (A+B+C) | 0 | 425420000 | 425420000 | 100.00 | 0 | 2994401152 | 2994401152 | 100.00 | 0.00 |

(ii) SHARE HOLDING OF PROMOTERS

| SI No. | Shareholders Name | Shareholding at the | | | Shareholding at the | | | % 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 | Piramal Enterprises Limited | 425419000 | 100.00 | 0.00 | 2994400152 | 100.00 | 0.00 | 0.00 |
| 2 | Piramal Enterprises Limited jointly with Mr. Ajay G Piramal | 1000 | 0.00 | 0.00 | 0 | 0.00 | 0.00 | 0.00 |
| 3 | Mr. Ajay G Piramal [§] | 0 | 0.00 | 0.00 | 900 | 0.00 | 0.00 | 0.00 |
| 4 | Mrs. (Dr.) Swati A. Piramal | 0 | 0.00 | 0.00 | 20 | 0.00 | 0.00 | 0.00 |
| 5 | Mr. Vijay Kantilal Shah [§] | 0 | 0.00 | 0.00 | 20 | 0.00 | 0.00 | 0.00 |
| 6 | Ms. Nandini Ajay Piramal [§] | 0 | 0.00 | 0.00 | 20 | 0.00 | 0.00 | 0.00 |
| 7 | Mr. Rajesh Laddha [§] | 0 | 0.00 | 0.00 | 20 | 0.00 | 0.00 | 0.00 |
| 8 | Mr. Leonard Joseph Peter D'Souza [§] | 0 | 0.00 | 0.00 | 20 | 0.00 | 0.00 | 0.00 |
| | Total | 425420000 | 100 | 0.00 | 2994401152 | 100.00 | 0.00 | 0.00 |

[§] Holding shares as Nominees of Piramal Enterprises Limited

(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

| Sl. No. | | Share holding at the | | Cumulative Share holding | |
|---------|--|----------------------|----------------------------------|--------------------------|----------------------------------|
| | | No. of Shares | % of total shares of the company | No of shares | % of total shares of the company |
| 1 | Piramal Enterprises | | | | |
| | At the beginning of the year | 425419000 | 100 | 425419000 | 100 |
| | 24.08.2016 - Allotment | 550000000 | 100 | 975419000 | 100 |
| | 26.09.2016 - Allotment | 200552550 | 100 | 1175971550 | 100 |
| | 28.09.2016 - Allotment | 329969387 | 100 | 1505940937 | 100 |
| | 29.09.2016 - Allotment | 720000000 | 100 | 2225940937 | 100 |
| | 29.09.2016 - Allotment | 481110841 | 100 | 2707051778 | 100 |
| | 30.09.2016 - Allotment | 75759824 | 100 | 2782811602 | 100 |
| | 30.09.2016 - Allotment | 195000000 | 100 | 2977811602 | 100 |
| | 27.09.2016 - Allotment | 16588550 | 100 | 2994400152 | 100 |
| | At the end of the year | | | 2994400152 | 100 |
| 2 | Piramal Enterprises Limited and Mr. Ajay G | | | | |
| | At the beginning of the year | 1000 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | (1000) | 0.00 | 0 | 0.00 |
| | At the end of the year | | | 0 | 0.00 |
| 3 | Mr. Ajay G Piramal [§] | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 900 | 0.00 | 900 | 0.00 |
| | At the end of the year | | | 900 | 0.00 |
| 4 | Mrs. (Dr.) Swati A. | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |
| 5 | Mr. Vijay Kantilal Shah [§] | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |
| 6 | Ms. Nandini Ajay Piramal | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |
| 7 | Mr. Rajesh Laddha [§] | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |
| 8 | Mr. Leonard Joseph Peter D'Souza [§] | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |

[§] Holding shares as Nominees of Piramal Enterprises Limited

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

| Sl. No | For Each of the Top 10 Shareholders | Shareholding at the end of | | Cumulative Shareholding | |
|--------|---|----------------------------|----------------------------------|-------------------------|----------------------------------|
| | | No. of shares | % of total shares of the company | No of shares | % of total shares of the company |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sw | Nil | Nil | Nil | Nil |
| | At the end of the year (or on the date of separation, if separated during the year) | Nil | Nil | Nil | Nil |

(v) **Shareholding of Directors & KMP**

| Sl. No | For Each of the Directors & KMP | Shareholding at the end of | | Cumulative Shareholding | |
|--------|---|----------------------------|----------------------------------|-------------------------|----------------------------------|
| | | No. of shares | % of total shares of the company | No of shares | % of total shares of the company |
| 1 | Mr. Ajay G. Piramal [§] | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 900 | 0.00 | 900 | 0.00 |
| | At the end of the year | | | 900 | 0.00 |
| 2 | Mr. Anand Piramal | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 3 | Dr. (Mrs.) Swati A. | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |
| 4 | Mr. Khushru Jijina | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 5 | Mr. Vijay Shah [§] | | | | |
| | At the beginning of the year | 0 | 0.00 | 0 | 0.00 |
| | 23-12-2016 - Transfer | 20 | 0.00 | 20 | 0.00 |
| | At the end of the year | | | 20 | 0.00 |
| 6 | Mr. N. Vaghul | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 7 | Mr. Harish Engineer | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 8 | Mr. Ujas Popat | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 9 | Mr. Amit Vyas [*] | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |
| 10 | Mr. Ankit Singh [#] | | | | |
| | At the beginning of the year | Nil | Nil | Nil | Nil |
| | At the end of the year | Nil | Nil | Nil | Nil |

[§] Holding shares as Nominee of Piramal Enterprises Limited

^{*} Resigned as Company Secretary w.e.f 22nd July, 2016

[#] Appointed as Company Secretary w.e.f 1st August, 2016

V INDEBTEDNESS

(Rs. In Crores)

| Indebtedness of the Company including interest outstanding/accrued but not due for payment | | | | |
|--|----------------------------------|-----------------|----------|--------------------|
| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 138.75 | - | - | 138.75 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i+ii+iii) | 138.75 | - | - | 138.75 |
| Change in Indebtedness during the financial year | | | | |
| Additions | 15628.45 | 21698.80 | | 37327.25 |
| Reduction | 5540.95 | 15423.80 | | 20964.75 |
| Net Change | 10087.50 | 6275 | | 16362.50 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 10226.25 | 6275.00 | | 16501.25 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 170.90 | -55.71 | | 115.19 |
| Total (i+ii+iii) | 10397.15 | 6219.29 | - | 16616.44 |

VI Remuneration of Directors and Key

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

| Sl. No. | Particulars of Remuneration | Name of the Managing Director/Manager | Total Amount (Rs.) |
|---------|---|---|--------------------|
| | | Mr. Khushru Jijina - Managing Director | |
| 1 | Gross salary | | |
| | (a) Salary as per provisions contained in | 3,980,683 | 3,980,683 |
| | (b) Value of perquisites u/s 17(2) of the | 0 | 0 |
| | (c) Profits in lieu of salary under section | 0 | 0 |
| 2 | Stock option | 0 | 0 |
| 3 | Sweat Equity | 0 | 0 |
| 4 | Commission | 0 | 0 |
| | as % of profit | 0 | 0 |
| | others (specify) | 0 | 0 |
| 5 | Others, please specify | 0 | 0 |
| | Total (A) | 3,980,683 | 3,980,683 |
| | Ceiling as per the Act | Rs.14.62 crores (Being 5% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013) | |

B. Remuneration to other directors:

(Rs. in Lakhs.)

| Sl.No | Particulars of Remuneration | Name of the Directors | | | | Total Amount |
|-------|--|--|---------------------|----------------|--------------------|--------------|
| 1 | Independent Directors | Mr. N.Vaghul | Mr. Harish Engineer | | | |
| | (a) Fee for attending board committee meetings | 4 | 4 | | | 8 |
| | (b) Commission | 0 | 0 | | | 0 |
| | (c) Others, please specify | 0 | 0 | | | 0 |
| | Total (1) | 4 | 4 | | | 8 |
| 2 | Other Non Executive Directors | Mr. Ajay G. Piramal | Mr. Anand Piramal | Mr. Vijay Shah | Dr.Swati A Piramal | |
| | (a) Fee for attending | 0 | 0 | 0 | 0 | 0 |
| | (b) Commission | 0 | 0 | 0 | 0 | 0 |
| | (c) Others, please specify. | 0 | 0 | 0 | 0 | 0 |
| | Total (2) | 0 | 0 | 0 | 0 | 0 |
| | Total (B)=(1+2) | | | | | 8 |
| | Total Managerial Remuneration (A+B) | | | | | 8 |
| | Overall Ceiling as per the Act. | Not Applicable since the Company has only one Managerial Personnel, the ceiling under the Act for which is 5% refer to in Table VI (A) above. Sitting fees paid within the limit of Rs. 1,00,000 per meeting as prescribed under the Act | | | | |

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

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|--|--------------------------|---------------------------|----------------------------|-------|
| | | Mr. Ujas Popat - CFO | Mr. Ankit Singh - CS # | Mr. Amit Vyas - CS * | Total |
| 1 | Gross Salary | | | | |
| | (a) Salary as per provisions contained in | Nil | Nil | Nil | Nil |
| | (b) Value of perquisites u/s 17(2) of the | Nil | Nil | Nil | Nil |
| | (c) Profits in lieu of salary under section | 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 | Nil | Nil | Nil | Nil |
| | others, specify | Nil | Nil | Nil | Nil |
| 5 | Others, please specify | Nil | Nil | Nil | Nil |
| | | | | | |
| | Total | Nil | Nil | Nil | Nil |

Appointed as Company Secretary w.e.f 1st August, 2016

* Resigned as Company Secretary w.e.f 22nd July, 2016

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES -

There were no penalties/punishment/compounding of offences for breach of any section of the Companies Act against the Company or its Directors or other officers in default, if any, during the year

VII PENALTIES/PUNISHMENT/COMPPOUNDING 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) |
|-------------------------------------|------------------------------|-------------------|--|---------------------------|-----------------------------------|
| A. COMPANY | | | | | |
| Penalty | NIL | NIL | NIL | NIL | NIL |
| Punishment | NIL | NIL | NIL | NIL | NIL |
| Compounding | NIL | NIL | NIL | NIL | NIL |
| B. DIRECTORS | | | | | |
| Penalty | NIL | NIL | NIL | NIL | NIL |
| Punishment | NIL | NIL | NIL | NIL | NIL |
| Compounding | NIL | NIL | NIL | NIL | NIL |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | NIL | NIL | NIL | NIL | NIL |
| Punishment | NIL | NIL | NIL | NIL | NIL |
| Compounding | NIL | NIL | NIL | NIL | NIL |

Management Discussion & Analysis (“MDA”) Report for the year ended 31st March 2017.

Macroeconomic Overview:

The financial year 2016-17 has been eventful both, globally and domestically. In India, the macro-economic parameters continued to remain on a strong footing. As per the Central Statistical Organisation, India’s gross domestic product (GDP) is estimated to have grown at 7.1% in FY 17, placing India amongst the fastest growing major economies. Agriculture registered a robust growth backed by good monsoons. The services sector growth was mildly subdued compared to the previous year, though industrial growth continued to struggle. Factors working in favour of India included continued fiscal prudence, low current account deficit, moderate inflation and an adequate level of foreign currency reserves. Key structural reforms such as further liberalization of foreign direct investment, the introduction of the Goods and Services Tax and the implementation of the Insolvency and Bankruptcy Code augur well for India’s future.

Market Overview:

The demonetization exercise (withdrawal of specified bank notes) announced in November 2016 did not result in any sharp movement in property prices. The impact of demonetization on the real estate sector was transitory, both in the primary and secondary residential markets. During the year, the demand for commercial office space was strong, resulting in a pick-up in lease rental discounting transactions. There has also been a surge in private equity investment in commercial real estate. A number of large foreign private equity funds have increased their exposure to India and have sizable investments in both, the commercial and residential real estate sector.

Opportunities, Threats, Risks & Concerns:

1. Triple Impact Of Demonetization, RERA And GST on the real estate sector: For the real estate sector, the above policies will lead to consolidation over the next few years
2. Increased competition across real estate and non-real estate lending: More domestic banks focusing on debt and global players also setting up desks in India to provide structured credit. Increased competition to also affect yields going forward
3. Falling interest rates leading to contraction in yield: Countered through reduction in interest rate for selective transactions on a risk adjusted basis
4. Other concerns include unanticipated changes in regulations which could impact the operations of the Corporation

The Corporation’s strong brand name, extensive reach and ability to cater to varied requirements of customers through innovative offerings are its key strengths.

Risk and Concerns:

An independent risk management function formalizes the risk measurement & management process at Piramal Finance Ltd. The risk management philosophy is embedded into all activities of the NBFC, including comprehensive internal control and assurance processes to manage key risks. The risk management function mainly deals with credit and liquidity & interest rate risk.

All proposals executed under PFL are independently assessed by the Risk Management function. The Risk Management function uses internal risk assessment models to assess the credit, market and concentration risk embedded in the deal and presents its view on the risk-return trade-off for each deal. The Risk management function also analyses the liquidity & interest rate risk at portfolio level.

Segment Wise Performance:

The Company's main business is to provide funding support to the entity which is engaged in the business of real estate business. As such there are no separate reportable segments.

Outlook:

The Company continues to explore the possibilities of expansion and will make the necessary investments when attractive opportunities arise.

Internal Control Systems and Their Adequacy:

Piramal Finance has instituted adequate internal control systems commensurate with the nature of its business and the size of its operations. Internal audit is carried out by independent firm of chartered accountants and cover all the offices and key areas of business.

Financial Performance with respect to operational performance:

1. Real estate loan book has witnessed 72% year on year growth with no incremental NPA;
2. Sanctioned loans of more than INR 21,600 cr during the financial year;
3. Numerous measures to ensure asset quality: covering 99+ developers, 178+ transactions and over 309 projects across India;
4. Started lending to Lease Rental Discounting (LRD) segment;
5. Strengthened the Investment team and focus on support functions.

Asset Liability Management (ALM):

The Company's Asset-Liability Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset-liability mismatches to ensure that they are in acceptable limits. It closely monitors liquidity and interest rates in the market and takes proactive measures when deemed necessary. As a part of ALCO strategy, Company maintains effective ALM processes to mitigate its liquidity and interest rate risk.

Customer service:

Piramal Finance Limited continues to remain customer centric in its policies and practices. This will substantially improve customer experience and should help grow the business in the upcoming year.

Human resources:

The Company continues to lay emphasis on people, its most valuable resource. In an increasingly competitive market for human resources, it seriously focuses on attracting and retaining the right talent. It provides equal opportunity to employees to deliver results.

Cautionary statement:

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied

NOMINATION POLICY

I] Preamble:

The Nomination and Remuneration Committee (NRC) of Piramal Finance Limited (the “Company”), has adopted the following policy and procedures with regard to identification and nomination of persons who are qualified to become directors and who may be appointed in senior management. This policy is framed in compliance with the applicable provisions of Section 178 and other applicable provisions of the Companies Act, 2013.

II] Criteria for identifying persons for appointment as Directors and Senior Management:

A. Directors

1. Candidates for Directorship should possess appropriate qualifications, skills and expertise in one or more fields of finance, law, general corporate management, financial services and other disciplines as may be identified by the NRC and/or the Board from time to time, that may be relevant to the Company's business.
2. Such candidates should also have a proven record of professional success.
3. Every candidate for Directorship on the Board should have the following positive attributes:
 - a) Possesses a high level of integrity, ethics, credibility and trustworthiness;
 - b) Ability to handle conflict constructively and possess the willingness to address critical issues proactively;
 - c) Is familiar with the business of the Company and the industry in which it operates and displays a keen interest in contributing at the Board level to the Company's growth;
 - d) Possesses the ability to bring independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management and resource planning;
 - e) Displays willingness to devote sufficient time and attention to the Company's affairs;
 - f) Values Corporate Governance and possesses the skills and ability to assist the Company in implementing good corporate governance practices;
 - g) Possesses leadership skills and is a team player;
4. Criteria for Independence applicable for selection of Independent Directors:
 - a) Candidates for Independent Directors on the Board of the Company should comply with the criteria for Independence as stipulated in the Companies Act 2013, as amended or re-enacted or notified from time to time. Such candidates should also comply with other applicable regulatory requirements relating to Independence or as may be laid down by the Board from time to time.
 - b) Such Candidates shall submit a Declaration of Independence to the NRC /Board, initially and thereafter, annually, based upon which, the NRC /Board shall evaluate compliance with this criteria for Independence.
5. Change in status of Independence

Every Independent Director shall be required to inform the NRC / Board immediately in case of any change in circumstances that may put his or her independence in doubt, based upon which, the NRC / Board may take such steps as it may deem fit in the best interest of the organization.

B. Members of Senior Management

1. For the purpose of this Policy, the term ‘Senior Management’ means Chief Executive Officer (CEO), Managing Director (MD), Chief Financial Officer (CFO) and any other persons in charge of material functions.

2. The eligibility criteria for appointments to Senior Management and continuity thereof shall include integrity and ethics, in addition to possessing qualifications, expertise, experience and special competencies relevant to the position for which purpose the executive is being or has been appointed.
3. Any candidate being considered for the post of Senior Management should be willing to comply fully with the PFL – Code of Conduct and other applicable policies, in force from time to time.

III] Process for identification & shortlisting of candidates:

A. Directors

1. The NRC shall identify the need for appointment of new Directors on the Board on the basis of the evaluation process for Board as a whole and of individual Directors or as it may otherwise determine.
2. Candidates for Board membership may be identified from a number of sources, including but not limited to past members of the Board and Directors database.
3. NRC shall evaluate proposals for appointment of new Directors on the basis of qualification criteria and positive attributes referred to hereinabove and make its recommendations to the Board.

B. Members of Senior Management

1. The NRC shall consider the recommendations of the management while evaluating the selection of executives in senior management. The NRC may also identify potential candidates for appointment to Senior Management through referrals and recommendations from past and present members of the Board or from such other sources as it may deem fit and proper.
2. The NRC shall evaluate proposals for appointments to Senior Management on the basis of eligibility criteria referred to hereinabove and refer to such inquiries and background checks as it may deem appropriate.
3. Based on such evaluation, the NRC shall shortlist the desired candidate and make its recommendations to the Board for appointment.

IV] Removal :

A. Directors

1. If a Director incurs any disqualification mentioned under the Companies Act, 2013 or any other applicable law, regulations, statutory requirements, the NRC may recommend to the Board with reasons recorded in writing, the removal of the said Director subject to the provisions of and compliance with the statutory provisions.
2. Such recommendations may also be made on the basis of performance evaluation of the Directors or as may otherwise be thought fit by the NRC.

B. Members of Senior Management

1. The NRC shall consider the recommendations of the management while making recommendations to the Board for dismissal / removal of those in Senior Management.
2. Such recommendations may also be made on the basis of performance evaluation of members of Senior Management to the extent applicable or as may otherwise be thought fit by the NRC.

V] Review :

1. The NRC shall periodically review the effectiveness of this Policy and recommend any revisions that may be required to this Policy to the Board for consideration and approval.

REMUNERATION POLICY

1. Preamble :

1.1 The Nomination and Remuneration Committee (NRC) of Piramal Finance Limited (the “Company”), has adopted the following policy and procedures with regard to remuneration of Directors, Key Managerial Personnel and other employees.

1.2 The Remuneration Policy (‘Policy’) is framed in compliance with the applicable provisions of Section 178 and other applicable provisions, if any, of the Companies Act, 2013.

1.3 This Policy reflects the Company’s core values viz. Knowledge, Action and Care.

2. Framework:

2.1 The remuneration of Directors and Key Managerial Personnel will be determined by the NRC and will then be recommended to the Board for approval.

3. Designing of Remuneration Packages :

3.1 While designing remuneration packages, the following factors are taken into consideration:

- a. Ability to attract, motivate and retain the best talent in the industries in which the Company operates.;
- b. Current industry practices;
- c. Cost of living;
- d. Balance between fixed and performance linked variable pay;
- e. Achievement of Key Result Areas (KRAs) of the employee, the concerned department / function and of the Company;

4. Remuneration to Directors:

A. Independent Directors:

The Independent Directors are entitled to the following:

- i. **Sitting Fees:** The Independent Director receive remuneration in the form of sitting fees for attending meetings of Board or Committee thereof of the Company and its subsidiaries where such Director may be so appointed. Provided that the amount of such fees shall not exceed such amount per meeting as may be prescribed by the applicable regulatory requirement.
- ii. **Fees for rendering professional services:** Any Director who renders services of a professional nature to the Company, may receive payment for such services rendered from the Company, subject to compliance with applicable regulatory requirements.
- iii. **Commission:** The Board may at its discretion pay commission subject to compliance with applicable regulatory requirements.

B. Remuneration to Whole – Time Directors

- i. The remuneration to be paid to the Whole – Time Directors, when applicable, shall be in compliance with the applicable regulatory requirements, including such requisite approvals as required by law.
- ii. Increments may be recommended by the Committee to the Board which shall be within applicable regulatory limits.
- iii. The Board may at the recommendation of the NRC and in its discretion, consider the payment of such additional remuneration within the framework of applicable laws and regulatory requirements.

5. Remuneration to Key Managerial Personnel and Senior Management:

Remuneration to Key Managerial Personnel and other Senior Management shall be as per the HR Policy of the Company in force from time to time and in compliance with applicable regulatory requirements. Total remuneration comprises:

- i. Fixed Salary
- ii. Perquisites as per Company Policy.
- iii. Retirement benefits as per Company Rules and statutory requirements.
- iv. Performance linked incentive (on an annual basis) based on the achievement of pre-set KRAs.

6. Remuneration to Other Employees

The remuneration packages of other employees are also formulated in accordance with HR Policy of the Company in force from time to time. In addition to Fixed pay and variable performance pay forming part of overall salary package, employees are also provided with perquisites and retirement benefits as per the HR Policy of the Company and statutory requirements, where applicable.

7. Disclosure

As per existing applicable regulatory requirements, the Remuneration Policy, shall be disclosed in the Board's Report.

8. Review

The NRC shall periodically (at least on an annual basis) review the effectiveness of this Policy and recommend any revisions that may be required to this Policy to the Board for consideration and approval.

ANNEXURE - E

FORM NO. AOC – 2

[Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 ('the Act') and Rule 8(2) of the Companies (Accounts) Rules, 2014]

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

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2017, which were not at arm's length basis.

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

The details of material contracts or arrangements or transactions at arm's length basis for the year ended March 31, 2017 are as follows:

| Sr. No | Name(s) of the related party & nature of relationship | Nature, salient features of contracts / arrangements / transactions | Duration of the contracts / arrangements / transactions | Date(s) of approval by the Board, if any | Amount paid |
|---------------|--|--|--|---|--------------------|
| 1. | Piramal Enterprises Limited (holding company of the Company) ('PEL') | The Company has acquired identified assets & liabilities forming part of PEL's financial services business | August 1, 2016 to October 31, 2016 | August 1, 2016 | Rs.1,439.69 crores |

For and on behalf of the Board of Directors

Place : Mumbai
Date : 10th May, 2017

Sd/-
Ajay G. Piramal
Chairman



N L BHATIA & ASSOCIATES
PRACTISING COMPANY SECRETARIES

Tel. : 91-022-2510 0718
Tel. : 91-022-2510 0698
E-mail : navnitlb@hotmail.com
brupadhyay@hotmail.com
Website : www.nlba.in

To,
The Members,
Piramal Finance Limited

Our 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. Wherever 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, Standard 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 the efficacy or effectiveness with which the management has conducted the affairs of the company.



For N L Bhatia & Associates
UIN: P1996MH055800
Practicing Company Secretaries

Navnit Lal Bhatia

N. L. Bhatia
(Managing Partner)
FCS No: 1176
C P No.: 422

Place: Mumbai
Date: May 10, 2017



SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2017
**[Pursuant to section 204(1) of the Companies Act, 2013 and Rule
No.9 of the Companies (Appointment and Remuneration Personnel)
Rules, 2014]**

To,
The Members,
Piramal Finance Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Piramal Finance Limited (hereinafter called "**the Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the Company has, during the financial year ended on March 31, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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, 2017 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the Rules madethereunder;
- ii. Foreign Exchange Management Act, 1999 ("FEMA") and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, overseas Direct Investment and External Commercial Borrowings – **Not Applicable for the financial year**



- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed hereunder; **Not applicable to the Company**
- iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')
- a) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - b) Applicable provisions of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
 - c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - d) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; **Not applicable for the financial year**
 - e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **Not applicable for the financial year**
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; **Not applicable for the financial year**
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not applicable for the financial year** and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not applicable for the financial year**

Other applicable Laws to the Company:

- a) Reserve Bank of India Act, 1934 and its circulars, Master circulars, notifications
- b) Prevention of Money Laundering Act, 2002 and its circulars, notifications
- c) Applicable provisions of Non-Banking Financial Company –Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
- d) Anti Money Laundering Regulation issued by RBI and various circulars and Guidelines thereunder.
- e) Tax Laws
 - Service Tax Act
 - Income Tax Act, 1961
- Employee Laws
 - Payment of Gratuity Act. 1972 and Payment of Gratuity (central) Rules, 1972



- Payment Of Bonus Act, 1965 and Payment Of Bonus Rules, 1975
- Employees' Provident Fund and Miscellaneous Provisions Act, 1952 & the scheme provided thereunder.
- g) The States Shops and Establishment Act, 1948
- h) Negotiable Instrument Act
- i) Indian Stamp Act, 1899 and the State Stamp Acts
- j) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

We have also examined compliance with the applicable clauses of the

- i. Secretarial Standards issued by The Institute of Company Secretaries of India (ICSI)

During the period under review the Company was converted into a public limited Company w.e.f. December 23, 2016 and consequently the name of the Company was changed from Piramal Finance Private Limited to Piramal Finance Limited w.e.f. the date of the certificate of RoC, Maharashtra, Mumbai dated January 06, 2017.

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

We further report that; The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors that took place during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, Board Committee Meetings, agenda and detailed notes on agenda were sent adequately 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 decisions are carried through while the dissenting members' views are captured and recorded as the part of minutes where applicable: **All the decisions have been taken unanimously and no dissent recorded in Board Meeting.**

We further report that; there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable Laws, Rules, Regulations and Guidelines.

We further report that; during the audit period the Members at the Annual General Meeting held on August 03, 2016 approved and authorised the Board of Directors to;



1. Acquire a part of the Assets and Liabilities (forming part of Financial Services business) of Piramal Enterprises Limited, holding Company.
2. Increase the authorized capital of the Company from Rs. 750 crores to Rs. 3,000 crores.
3. Borrow an amount not exceeding Rs. 20,000 crores (Rupees Twenty thousand crores only) over and above the aggregate of the paid up share capital of the Company and its free reserves as prevailing from time to time pursuant to Section 180(1)(c) of the Companies Act, 2013, and
4. Issue of Non-Convertible Debentures on Private Placement basis.

We further report that; during the audit period, the Members at the Extra Ordinary General Meeting of the Company:

(i) Held on December 23, 2016;

1. Increase the authorized capital of the Company from Rs. 3000 crores to Rs. 5000 crores;
2. Conversion of Company from Private Limited to Public Limited and consequent change of the name of the Company by deletion there from the word 'Private' before the word 'Limited', and
3. Adoption of New set of Articles of Association incorporating all the provisions of a public limited company.

(ii) Held on March 15, 2017;

1. Payment of Managerial remuneration to Mr. Khushru Jijina, Managing Director.

For N L Bhatia & Associates
UIN: P1996MH055800
Practicing Company Secretaries



N. L. Bhatia

N. L. Bhatia
(Managing Partner)
FCS No: 1176
C P No.: 422

Place: Mumbai
Date: May 10, 2017

CRS Policy

PIRAMAL FINANCE LIMITED

1.Statement of Intent :

Statement of Intent India faces enormous challenges in provision of basic public services to large parts of the population, both in rural and urban centers. The Government has, over the years, made strides in bridging gaps in supply of public services through large interventions and programmes with a national footprint. Most of these programmes have received strong budgetary support to expand their reach. However, a lot of ground is to be covered in improving the quality of these services, albeit at a reasonable cost.

The country currently benefits from a demographic dividend – the large percentage of young and income generating population is India's strength. There is, at the same time, a strong need to ensure that the youth are offered opportunities – to enhance their skills that can help the country maximize economic opportunities and to develop skills, empathy and ethical standards that would aid the process of nation building.

There is also a growing realization that complex and seemingly insurmountable social problems cannot be solved by individual organizations or a single stakeholder group. It requires different parts of the ecosystem such as funders, government, non-profits, corporates and media to work collaboratively to create long-term social change.

In doing so, Piramal Finance Limited (PFL or Company) believes that:

- It can play a meaningful role in bringing professionalism, leadership and discipline to projects in pursuit of Corporate Social Responsibility (CSR)
- Innovation can play a crucial role in developing 'out of the box' solutions to seemingly intractable problems
- It is crucial that any solution backed by the Company has the potential to achieve scale and be replicable across large geographies of India. In doing so, the Company will actively seek partnerships, with government and private entities, in an open source relationship that seek to maximize the impact of its solutions

The CSR policy of the Company will be guided by the core values of the Group:

Knowledge

- **Expertise** : We strive for a deeper understanding of our domain.
- **Innovation**: We aspire to do things creatively.

Action

- **Entrepreneurship** : We are empowered to act decisively and create value
- **Integrity**: We are consistent in our thought, speech and action.

Care

- **Trusteeship** : We protect and enhance the interests of our customers, community, employees, partners and shareholders
- **Humility**: We aspire to be the best, yet strive to be humble.

2.CSR Activities :

Areas of interest for Corporate Social Responsibility

The Company has chosen the following areas for undertaking its CSR activities. These activities are covered under Schedule VII of the Companies Act, 2013:

1. Promoting preventive healthcare and enabling availability of safe drinking water
2. Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently-abled and livelihood enhancement projects
3. Promoting gender equality and empowering women
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water
5. Contribution to PM National Relief Fund or any fund set up by Central Government for socio-economic development and relief and welfare of Scheduled Castes, Scheduled Tribes and other backward classes, minorities and women
6. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government
7. Rural Development Projects

The CSR committee may recommend any of the above activities and periodically review them. These focus areas may be reviewed by the CSR Committee from time to time and maybe modified to also include such other CSR initiatives which are covered under Schedule VII of the Companies Act, 2013 (as amended from time to time), as maybe recommended by the CSR Committee. The CSR Committee is also authorized to recommend changes in the policy, in line with the emerging societal circumstances and in consideration of changing national priorities of the government.

3.Corporate Social Responsibility Committee :

Composition of CSR Committee

The Board has established a Committee of the Board as the Corporate Social Responsibility Committee. The Committee comprises three directors of the Board and its composition meets the requirements of Companies Act, 2013. The Committee will meet as frequently as desired, to review policies, discuss the strategy, review project progress and set the direction for the future.

Terms of reference

The terms of reference of the CSR Committee are as follows:

1. Recommend to the Board, a CSR Policy (and modifications thereto from time to time) which shall indicate the CSR activities to be undertaken by the Company
2. Approve specific projects, either new or ongoing, in pursuance of the Areas of Interest outlined in this policy
3. Recommend the amount of expenditure to be incurred on the CSR activities

4. Review the progress of CSR activities being undertaken by the Company on a regular basis through discussions and field visits
5. Monitor the CSR Policy of the Company from time to time and institute a transparent monitoring mechanism for implementation of the CSR projects
6. Undertake such activities and carry out such functions as may be provided under Section 135 of the Companies Act 2013 and the Rules prescribed thereunder
7. Identify the Companies with which the Company can collaborate for carrying its CSR activities

4.Implementation :

The CSR activities of the Company are undertaken as projects or programmes or activities, either new or ongoing in line with the CSR Policy.

The Company may undertake CSR activities either directly by itself or through any of the following entities that have been established:

- a. Any one or more companies established by the Company or its Subsidiary or associate company under Section 8 of the Act
- b. Registered Trust
- c. Registered Society

The Company may pursue CSR Activities either on its own, including through donations or through other entities engaged in CSR activities.

Where the Company undertakes CSR Activities through an entity which is not established by the Company or its holding company or subsidiary or associate company, the entity is required to have an established track record of three years in undertaking similar programmes or projects. In such cases, the projects to be undertaken through these entities, the modalities for utilization of funds on such projects and the monitoring and reporting mechanism would be specified.

The Company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR Committee of such companies are in a position to report on such projects or programmes separately in accordance with the rules laid down under the Companies Act, 2013.

The CSR Activities specified under this Policy would be undertaken only in India. As part of its overall CSR Policy, the Company implements Employee Social Impact (ESI) - its ongoing programme offering volunteering opportunities for its employees.

5.Financing of projects :

The Board shall ensure that the amount spent in CSR every year is, at least, two percent of the average net profits of the Company made during the three immediately preceding financial years. The amount of net profit will be calculated in accordance with the CSR Rules prescribed under the Companies Act, 2013.

The expenditure on CSR eligible for the purposes of this policy shall include all expenditure on projects or programmes or activities approved by the Board on the recommendation of the CSR Committee. Any contribution to the corpus for implementation of the projects or programmes or activities will also qualify as CSR expenditure.

Any surplus arising out of the implementation of projects or programmes or activities shall not form part of the business profit of the Company. Such surplus shall be retained in the same project or

programme.

The Company may also collaborate with other companies and foundations for undertaking projects or programmes or CSR activities on a joint basis. In such an event, the Company may also accept funding support from other partners for the joint implementation.

6.Review and Monitoring :

Where the CSR Activity is implemented through an entity established or controlled by the Company, the Board of Directors / Governing Board of such entity or its duly constituted Committee shall monitor the implementation of the CSR Activities for which funds are provided by the Company. The entities shall also follow practices to encourage good governance. The reports of the statutory audit and internal audit (wherever applicable) shall be presented and reviewed by the CSR Committee.

There shall be a regular monitoring and reporting of progress for implementing these projects.

In identifying any new long term programmes in future, it shall be ensured that the following are defined clearly and presented to the CSR Committee for approval:

- Programme objectives
- Needs assessment
- Solutions proposed and implementation methodology
- Potential partnership with corporates / foundations / nonprofit sector
- Implementation schedules covering timelines and milestones
- Baseline survey and criteria for impact assessment
- Measurable outcomes targeted by the project

To ensure effective implementation of the programmes undertaken in each project, a monitoring mechanism shall be put in place by each programme. This would take the form of an Impact Assessment Study on a periodic basis, through independent professional organizations. Till such time, the senior management shall internally review progress and impact and report to the CSR Committee at its next meeting. Wherever necessary, the Committee may recommend midcourse corrections to the project. Where the Company decides to undertake its CSR activities in collaboration with other Companies, the CSR committee shall periodically monitor the activities for which such donations are made.

The Company will report on the implementation of its CSR Policy every year, as may be prescribed under the CSR Rules.

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Financial Statements

together with the

Independent Auditor's Report

for the year ended 31 March 2017

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Financial statements together with the Independent Auditor's Report *for the year ended 31 March 2017*

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Balance sheet

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Cash flow statement

Notes to the financial statements

B S R & Co. LLP

Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

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Independent Auditor's Report

To the Members of Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Report on the financial statements

We have audited the accompanying financial statements of Piramal Finance Limited (the "Company") *(formerly known as Piramal Finance Private Limited)*, which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with 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 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

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

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

Independent Auditor's Report (*Continued*)

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Auditor's responsibility (*Continued*)

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.

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 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 31 March 2017, and its profit and its cash flows for the year then ended.

Report on other legal and regulatory requirements

As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraph 3 and 4 of the 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 it appears from our examination of those books;
- c) the Balance Sheet, the Statement of Profit and Loss, and the 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;
- e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

Independent Auditor's Report (Continued)

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Report on other legal and regulatory requirements (Continued)

- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure 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 litigation on its financial position in its financial statement-refer note 32 to the financial statement;
 - ii. the Company did not have any material foreseeable losses on long term contracts including derivative contracts as at 31 March 2017;
 - iii. there were no amounts required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2017; and
 - iv. the Company has provided requisite disclosure in the financial statement on holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedure we report that the disclosures are in accordance with books of accounts maintained by the Company and as produced to us by the Management. Refer note 36 to the financial statements.

For **B S R & Co. LLP**
Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai
Partner

Membership No: 046882

Mumbai
10 May 2017

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Annexure A to the Independent Auditor's Report of even date on financial statements of Piramal Finance Limited *(Formerly known as Piramal Finance Private Limited)*

- i.
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a programme of physical verification of its fixed assets by which all fixed assets are verified on yearly basis. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (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 a service company primarily rendering non-banking financial services. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- iii. According to information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.
- iv. According to 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. According to the information and explanations given to us, the Company has not accepted any deposits from the public to which directives issued by Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under apply. Accordingly, paragraph 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 to the Company. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.
- vii.
 - (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax and other material statutory dues have generally been regularly 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 employees' state insurance, value added tax, custom duty and excise duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, service tax, provident fund and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Annexure A to the Independent Auditor's Report of even date on financial statements of Piramal Finance Limited (formerly known as Piramal Finance Private Limited) (Continued)

- (b) According to the information and explanations given to us, there are no dues of income tax and other material statutory dues that have not been deposited to appropriate authorities on account of dispute, except as mentioned below:

| Name of the statute | Nature of dues | Amount (Rs. In lakhs) | Period to which the amount relates | Forum where dispute is pending |
|----------------------|----------------|-----------------------|------------------------------------|--------------------------------|
| Income Tax Act, 1961 | Income Tax | 6 | AY 2012-13 | Commissioner (Appeals) |
| Income Tax Act, 1961 | Income Tax | 176 | AY 2014-15 | Commissioner (Appeals) |

- viii. In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders.
- ix. The Company has not raised any money by way of initial public offer or further public offer during the year. In case of term loans, according to the information and explanations given to us and based on examination of relevant records, the term loans taken by the Company have been applied for the purpose for which they were raised.
- x. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- 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 managerial remuneration in accordance with the requisite approvals mandated by the provision 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 on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with the section 177 and 188 of the Act where applicable and details have been disclosed in the financial statements as required by the applicable accounting standards.

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Annexure A to the Independent Auditor's Report of even date on financial statements of Piramal Finance Limited *(formerly known as Piramal Finance Private Limited) (Continued)*

- 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 period under review. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- 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 any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company being a NBFC is registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai
10 May 2017

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Annexure B to the Independent Auditor's Report of even date on the financial statements of Piramal Finance Limited *(Formerly known as Piramal Finance 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 Piramal Finance Limited (the "Company") *(Formerly known as Piramal Finance Private Limited)* as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended 31 March 2017.

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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "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 the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, 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 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 auditors' 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.

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Annexure B to the Independent Auditors' Report of even date on the financial statements of Piramal Finance Limited (Continued) (Formerly known as Piramal Finance Private Limited)

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 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

10 May 2017

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Balance sheet

as at 31 March 2017

(Currency : Rs. in lakhs)

| | Note | 31 March 2017 | 31 March 2016 |
|---------------------------------|------|------------------|---------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 299,440 | 42,542 |
| Reserves and surplus | 4 | 38,801 | 18,986 |
| | | <u>338,241</u> | <u>61,528</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 951,811 | 5,125 |
| Other long-term liabilities | 6 | 2,649 | 2 |
| Long-term provisions | 7 | 33,662 | 1,060 |
| | | <u>988,122</u> | <u>6,187</u> |
| Current liabilities | | | |
| Short-term borrowings | 8 | 590,740 | 7,500 |
| Trade payables | 9 | 557 | 896 |
| Other current liabilities | 10 | 114,118 | 1,630 |
| Short-term provisions | 7 | 9,042 | 1,088 |
| | | <u>714,457</u> | <u>11,114</u> |
| Total | | <u>2,040,820</u> | <u>78,829</u> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 278 | 132 |
| Intangible assets | 12 | 16 | - |
| Capital work-in-progress | 12 | 610 | - |
| Non-current investments | 13 | 1,068,663 | - |
| Deferred tax assets (net) | 14 | 14,448 | 816 |
| Long-term loans and advances | 15 | 590,959 | 52,151 |
| | | <u>1,674,974</u> | <u>53,099</u> |
| Current assets | | | |
| Current investments | 13 | 180,315 | - |
| Cash and bank balances | 16 | 118,785 | 1,401 |
| Short-term loans and advances | 15 | 60,930 | 23,752 |
| Other current assets | 17 | 5,816 | 577 |
| | | <u>365,846</u> | <u>25,730</u> |
| Total | | <u>2,040,820</u> | <u>78,829</u> |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

For BSR & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

Date: May 10, 2017

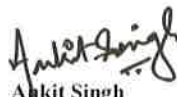
For and on behalf of the Board of Directors of
Piramal Finance Limited



Khushru Jijina
Managing Director



Ajay Piramal
Director



Akshit Singh
Company Secretary



Ujas Popat
CFO

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Statement of profit and loss

for the year ended 31 March 2017

(Currency : Rs. in lakhs)

| | Note | 31 March 2017 | 31 March 2016 |
|---|------|----------------|---------------|
| Revenue from operations | 18 | 146,357 | 13,611 |
| Other income | 19 | 2,884 | 635 |
| Total revenue | | 149,241 | 14,246 |
| Expenses | | | |
| Employee benefits expense | 20 | 7,885 | 2,349 |
| Finance costs | 21 | 69,007 | 2,873 |
| Depreciation and amortisation | 11 | 80 | 50 |
| Other expenses | 22 | 43,036 | 3,248 |
| Total expenses | | 120,008 | 8,520 |
| Profit before tax | | 29,233 | 5,726 |
| Tax expense: | | | |
| - Current tax | | 23,376 | 2,054 |
| - Prior year tax | | 161 | - |
| - Deferred tax (credit) | | (13,632) | (50) |
| Profit for the year | | 19,328 | 3,722 |
| Earning per equity share (basic and diluted) (face value INR10) | 23 | 1.20 | 0.87 |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

Date: May 10, 2017

For and on behalf of the Board of Directors of
Piramal Finance Limited




Khushru Jijina

Managing Director



Akhil Singh
Company Secretary



Ajay Piramal

Director



Ujas Popat

CFO

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Cash flow statement

for the year ended 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|------------------|-----------------|
| A. Cash flows from operating activities | | |
| Profit before tax | 29,233 | 5,726 |
| Adjustments: | | |
| Dividend on mutual fund units | (5) | (172) |
| Profit on sale of investments in mutual fund units | (2,352) | - |
| Depreciation and amortisation | 80 | 50 |
| Net fair value changes on foreign currency loan | 1,495 | - |
| Contingent provision against standard assets | 36,124 | 240 |
| Provision on doubtful assets | 805 | (55) |
| Fixed assets written off | - | 1 |
| Operating cash flow before working capital changes | 65,380 | 5,790 |
| (Increase) in other current assets | (5,238) | (255) |
| (Increase) / Decrease in investments | (1,247,478) | 2,279 |
| Decrease / (Increase) in long term loans and advances | 822,190 | (20,026) |
| (Increase) / Decrease in short term loans and advances | (37,512) | 5,749 |
| (Decrease) / Increase in trade payables | (339) | 42 |
| Increase / (Decrease) in other long term liabilities | 12 | (72) |
| Increase in other current liabilities | 509 | 11 |
| Increase in short term provisions | 3,759 | 691 |
| Increase in long term provisions | 415 | 28 |
| Cash used in operations | (398,302) | (5,763) |
| Less: income taxes paid | (23,294) | (2,167) |
| Net cash flow (used in) operating activities (a) | (421,596) | (7,930) |
| B. Cash flows from investing activities | | |
| Fixed assets purchased | (852) | (62) |
| Investments in subsidiary's equity | (1,500) | - |
| Investments in mutual funds | (2,022,113) | (77,530) |
| Proceeds from redemptions from mutual funds | 2,024,465 | 77,530 |
| Dividends on mutual funds | 5 | 172 |
| Net cash flow from investing activities (b) | 5 | 110 |
| C. Cash flows from financing activities | | |
| Borrowings during the year | 2,476,484 | 33,800 |
| Borrowings repaid during the year | (2,084,009) | (42,725) |
| Proceeds from issue of equity share | 146,500 | - |
| Net cash flow from/ (used in) financing activities (c) | 538,975 | (8,925) |
| Net increase/(decrease) in cash and cash equivalents (a + b+c) | 117,384 | (16,745) |
| Cash and cash equivalents as at beginning of the year | 1,401 | 18,146 |
| Cash and cash equivalents as at end of the year | 118,785 | 1,401 |
| Cash and cash equivalents comprise of: | | |
| Balances with banks (current account) | 2,285 | 1,096 |
| Balances with banks (deposits maturing within 3 months) | 116,500 | 305 |

Significant accounting policies

2

As per our report of even date attached.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

Date: May 10, 2017

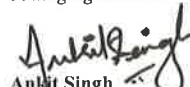
For and on behalf of the Board of Directors of
Piramal Finance Limited



Khushru Jijina
Managing Director



Ajay Piramal
Director



Ankit Singh
Company Secretary



Ujas Popat
CFO

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|--|----------------|---------------|
| 3 Share capital | | |
| Authorised | | |
| 5000,000,000 (750,000,000) equity shares of INR 10 each | 500,000 | 75,000 |
| Issued, subscribed and fully paid | | |
| 2,994,401,152 (425,420,000) equity shares of INR 10 each | 299,440 | 42,542 |
| | <u>299,440</u> | <u>42,542</u> |

Reconciliation of the equity shares outstanding at the beginning and at the end of the year

| | 31 March 2017 | | 31 March 2016 | |
|--|----------------------|----------------|--------------------|---------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 425,420,000 | 42,542 | 425,420,000 | 42,542 |
| Add: Issued during the year | | | | |
| - Issued for cash | 1,465,000,000 | 146,500 | - | - |
| - Issued for consideration other than cash (Refer note 26) | 1,103,981,152 | 110,398 | - | - |
| At the end of the year | <u>2,994,401,152</u> | <u>299,440</u> | <u>425,420,000</u> | <u>42,542</u> |

Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. There are no restrictions on payments of dividends to equity shareholders.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Shares held by holding company

| | 31 March 2017 | | 31 March 2016 | |
|---|----------------------|----------------|--------------------|---------------|
| | Number | Amount | Number | Amount |
| Equity shares of INR 10 each fully paid up held by Piramal Enterprise Limited (holding company) | 2,994,401,152 | 299,440 | 425,420,000 | 42,542 |
| | <u>2,994,401,152</u> | <u>299,440</u> | <u>425,420,000</u> | <u>42,542</u> |

Particulars of shareholders holding more than 5% shares of a class of shares

| | 31 March 2017 | | 31 March 2016 | |
|---|----------------------|----------------|--------------------|---------------|
| | Number | Amount | Number | Amount |
| Equity shares of INR 10 each fully paid up held by Piramal Enterprise Limited (holding company) | 2,994,401,152 | 299,440 | 425,420,000 | 42,542 |
| | <u>2,994,401,152</u> | <u>299,440</u> | <u>425,420,000</u> | <u>42,542</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|----------------|---------------|
| 4 Reserves and surplus | | |
| Statutory reserve fund u/s 45-IC of the RBI Act, 1934 | | |
| Opening balance | 3,924 | 3,180 |
| Add: Additions during the year | 3,866 | 744 |
| Closing balance | <u>7,790</u> | <u>3,924</u> |
| General reserves | | |
| Opening balance | 1,616 | 1,616 |
| Add: Additions during the year | - | - |
| Closing balance | <u>1,616</u> | <u>1,616</u> |
| Cash Flow Hedging Reserve | | |
| Opening balance | - | - |
| Add: Addition during the year (Refer note 30) | 487 | - |
| Closing balance | <u>487</u> | <u>-</u> |
| Surplus in the statement of profit and loss | | |
| Opening balance | 13,446 | 10,468 |
| Add: Profit for the year | 19,328 | 3,722 |
| Appropriations: | | |
| Less: Transfer to statutory reserve fund u/s 45-IC of the RBI Act, 1934 | 3,866 | 744 |
| Closing balance | <u>28,908</u> | <u>13,446</u> |
| Total | <u>38,801</u> | <u>18,986</u> |
| 5 Long term borrowings | | |
| Term loans | | |
| <i>Secured</i> | | |
| From banks | | |
| Rupee loan | 481,326 | 5,125 |
| Foreign currency loans | 48,383 | - |
| From others | 174,333 | - |
| Redeemable Non Convertible Debentures | | |
| <i>Secured</i> | 198,592 | - |
| <i>Unsecured</i> | 49,177 | - |
| | <u>951,811</u> | <u>5,125</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

5 Long term borrowings (Continued)

Security clause and Maturity profile of the term loans/ NCDs (including current maturities of long term borrowing)

A. Rupee Term Loan from Banks (Secured)

Nature of Security

First pari-passu charge by way of hypothecation on the standard movable assets including receivables and book debts, present and future

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|--------------|----------------|--------------|----------------|
| Rate of Interest | | | | |
| 8.75-9.75% | 3,750 | 473,011 | 8,314 | 485,076 |
| Total | 3,750 | 473,011 | 8,314 | 485,076 |

As at 31 March 2016

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|--------------|--------------|--------------|--------------|
| Rate of Interest | | | | |
| 11-11.5% | 1,250 | 2,750 | 2,375 | 6,375 |
| Total | 1,250 | 2,750 | 2,375 | 6,375 |

B. Foreign Currency Non Repatriable Loans (Secured)

Nature of Security

First pari-passu charge on the movable assets including receivables present and future

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------|---------------|----------|---------------|
| Rate of Interest | | | | |
| 9.60-9.75% | - | 48,383 | - | 48,383 |
| Total | - | 48,383 | - | 48,383 |

C. Term Loan from others (Secured)

Nature of Security

First pari-passu charge by way of hypothecation created over secured assets

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------|----------------|----------|----------------|
| Rate of Interest | | | | |
| 9.65-10% | - | 174,333 | - | 174,333 |
| Total | - | 174,333 | - | 174,333 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

5 Long term borrowings (Continued)

Security clause and Maturity profile of the term loans/ NCDs (including current maturities of long term borrowing)
(Continued)

D. Redeemable Non Convertible Debentures (Secured):

Nature of Security

First pari-passu charge by hypothecation over the movable assets and a first ranking pari passu mortgage over Specifically Mortgaged Property

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------------|----------------|------------|----------------|
| Rate of Interest | | | | |
| 7.75-8.55% | 109,006 | 2,548 | - | 111,553 |
| 8.56-9.72% | - | 195,542 | 503 | 196,045 |
| Total | 109,006 | 198,089 | 503 | 307,598 |

E. Redeemable Non Convertible Debentures (Unsecured subordinated (Tier II))

As at 31 March 2017

| Maturity | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------|-----------|---------------|---------------|
| Rate of Interest | | | | |
| 9.55% | - | - | 49,177 | 49,177 |
| Total | - | - | 49,177 | 49,177 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|--------------------------------------|---------------|---------------|
| 6 Other long-term liabilities | | |
| Lease equalisation | 13 | 2 |
| Forward Contract Payable | 2,636 | - |
| | <u>2,649</u> | <u>2</u> |

7 Provisions

| | 31 March 2017 | | 31 March 2016 | |
|--|---------------|--------------|---------------|--------------|
| | Long Term | Short Term | Long Term | Short Term |
| Provision for gratuity | 316 | 48 | 30 | 13 |
| Provision for employee bonus | - | 4,388 | - | 692 |
| Provision for compensated absence | 167 | 54 | 37 | 27 |
| Provision for tax (net of advance tax of Rs. 24,986 (previous year Rs. 404)) | - | 266 | - | 8 |
| | <u>482</u> | <u>4,756</u> | <u>67</u> | <u>739</u> |
| Others | | | | |
| Contingent provisions against standard assets | 33,180 | 4,286 | 993 | 349 |
| | <u>33,180</u> | <u>4,286</u> | <u>993</u> | <u>349</u> |
| | <u>33,662</u> | <u>9,042</u> | <u>1,060</u> | <u>1,088</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|----------------|---------------|
| 8 Short term borrowings | | |
| Working Capital Demand Loan (secured) | | |
| -From banks | | |
| Rupee loans | 19,496 | 7,500 |
| (Secured by first pari-passu charge by way of hypothecation on the standard moveable assets including receivables and book debts ,present and future) | | |
| Term loan (Unsecured) | | |
| -From banks | | |
| Foreign currency loans | 14,629 | - |
| Others (Unsecured) | | |
| Commercial papers (net of unamortised discount of Rs.5,885 (previous year- Rs.Nil)) | 556,615 | - |
| | 590,740 | 7,500 |
| 9 Trade payables | | |
| Trade payable | | |
| - Payable to Micro & Small suppliers (Refer Note 31) | - | - |
| - Payables to others | 557 | 896 |
| | 557 | 896 |
| 10 Other current liabilities | | |
| Current maturities of long term debt (Refer Note 5) | 112,756 | 1,250 |
| Advance received | 393 | 22 |
| Dues to holding company | - | 53 |
| Interest accrued but not due | - | 110 |
| Forward contract payable | 473 | - |
| Taxes payable | 456 | 83 |
| Payable to employees | 40 | 112 |
| | 114,118 | 1,630 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued) as at 31 March 2017

(Currency : Rs. in lakhs)

11 Tangible fixed assets

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block |
|------------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------|
| | As at 1 April 2016 | Additions during the year | Deductions during the year | As at 1 April 2016 | Charge for the year | Deductions during the year | |
| Land & Building | - | 16 | - | - | - | - | 16 |
| Office equipment | 44 | 16 | - | 4 | 10 | - | 46 |
| Computer | 24 | 48 | - | 14 | 12 | - | 46 |
| Computer Server | - | 35 | - | - | 2 | - | 33 |
| Furniture | 11 | 30 | - | 0 | 2 | - | 38 |
| Leasehold Improvements | 201 | 80 | - | 130 | 53 | - | 183 |
| | 280 | 225 | - | 148 | 79 | - | 278 |

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block |
|------------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------|
| | As at 1 April 2015 | Additions during the year | Deductions during the year | As at 1 April 2015 | Charge for the year | Deductions during the year | |
| Office equipment | 7 | 37 | - | 1 | 3 | - | 40 |
| Computer | 23 | 5 | 4 | 11 | 6 | 3 | 10 |
| Furniture | 3 | 8 | - | 0 | 0 | - | 11 |
| Leasehold Improvements | 189 | 12 | - | 89 | 41 | - | 130 |
| | 222 | 62 | 4 | 101 | 50 | 3 | 148 |

12 Intangible fixed assets and Capital WIP

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block |
|-------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------|
| | As at 1 April 2016 | Additions during the year | Deductions during the year | As at 1 April 2016 | Charge for the year | Deductions during the year | |
| Computer software | 0 | 17 | - | 0 | 1 | - | 16 |
| Total - I | 0 | 17 | - | 0 | 1 | - | 16 |
| Capital WIP - II | - | 610 | - | - | - | - | 610 |
| Total - I + II | 0 | 627 | - | 0 | 1 | - | 626 |

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block |
|-------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------|
| | As at 1 April 2015 | Additions during the year | Deductions during the year | As at 1 April 2015 | Charge for the year | Deductions during the year | |
| Computer software | 0 | - | - | 0 | 0 | - | 0 |
| | 0 | - | - | 0 | 0 | - | 0 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

13 Investments

| | 31 March 2017 | | 31 March 2016 | |
|---|---------------|---------------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| Investments in subsidiaries (Unquoted) (fully paid up) | | | | |
| 15,000,000 (Previous Year Nil) Equity share of INR 10 each in Piramal Housing Finance Private Limited | 1,500 | - | - | - |
| | 1,500 | - | - | - |
| Investments in Debentures (Quoted) (fully paid up) | | | | |
| Redeemable Non-Convertible Debentures | | | | |
| Secured | | | | |
| 19,000 (Previous Year Nil) of INR 100,000 each in Century Joint Developers Private Limited | 17,227 | 1,500 | - | - |
| 6,168 (Previous Year Nil) of INR 100,000 each in Three C Green Developers Private Limited | 2,060 | 4,406 | - | - |
| 21,011 (Previous Year Nil) of INR 100,000 each in VGN Developers Private Limited | 13,854 | 8,100 | - | - |
| 15,000 (Previous Year Nil) of INR 100,000 each in Essel Green Energy Private Limited | 16,122 | - | - | - |
| 216 (Previous Year Nil) of INR 10,000,000 each in ACME Cleantech Solutions Private Limited | 22,002 | - | - | - |
| 11,600 (Previous Year Nil) of INR 100,000 each in SPR Constructions Private Limited | 4,350 | 7,250 | - | - |
| | 75,615 | 21,256 | - | - |
| Investments in Debentures (Unquoted) (fully paid up) | | | | |
| Redeemable Optionally Convertible Debentures | | | | |
| Secured | | | | |
| 2,125 (Previous Year Nil) of INR 1,000,000 each in Navayuga Road Projects Private Limited SR - I | - | 41,171 | - | - |
| 1,905 (Previous Year Nil) of INR 1,000,000 each in Regen Infrastructure Private Limited | 16,557 | 2,672 | - | - |
| | 16,557 | 43,843 | - | - |
| Redeemable Non-Convertible Debentures (fully paid up) | | | | |
| Secured | | | | |
| 1,240 (Previous Year Nil) of INR 1,000,000 each in Adarsh Haven Private Limited | 12,400 | - | - | - |
| 15,000 (Previous Year Nil) of INR 100,000 each in Akarshak Realty Private Limited | 14,711 | - | - | - |
| 78 (Previous Year Nil) of INR 10,000,000 each in Akarsh Residency Private Limited | 7,727 | - | - | - |
| 760 (Previous Year Nil) of INR 1,000,000 each in Akshar Space Private Limited | 6,735 | 760 | - | - |
| 9,220 (Previous Year Nil) of INR 100,000 each in Akshaya Private Limited | 7,474 | 1,620 | - | - |
| 108 (Previous Year Nil) of INR 10,000,000 each in Alekhya Property Developments Private Limited | 10,702 | - | - | - |
| 3,358 (Previous Year Nil) of INR 100,000 each in Arihant Unitech Realty Projects Limited | 2,800 | 558 | - | - |
| 2,394 (Previous Year Nil) of INR 1,000,000 each in Arun Excello Homes Private Limited | 21,299 | 2,639 | - | - |
| 1,700 (Previous Year Nil) of INR 1,000,000 each in Arun Excello Realty Private Limited | 15,914 | 1,097 | - | - |
| 15,250 (Previous Year Nil) of INR 100,000 each in Atria Brindavan Power Private Limited | 15,250 | - | - | - |
| 20,985 (Previous Year Nil) of INR 100,000 each in ATS Heights Private Limited | 21,405 | - | - | - |
| 19,175 (Previous Year Nil) of INR 100,000 each in ATS Homes Private Limited | 19,761 | - | - | - |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

13 Investments (Continued)

| | 31 March 2017 | | 31 March 2016 | |
|---|---------------|---------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| 15,000 (Previous Year Nil) of INR 100,000 each in ATS Homes Private Limited | 11,361 | 4,175 | - | - |
| 18,500 (Previous Year Nil) of INR 100,000 each in ATS Real Estate Builders Private Limited | 18,500 | - | - | - |
| 3,000 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 2,999 | - | - | - |
| 3,300 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 2,905 | 367 | - | - |
| 300 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 300 | - | - | - |
| 2,000 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 1,999 | - | - | - |
| 18,700 (Previous Year Nil) of INR 100,000 each in Bestech India Private Limited | 18,260 | 283 | - | - |
| 2,460 (Previous Year Nil) of INR 88,000 each in Bhaveshwar Properties Private Limited | 1,380 | 1,080 | - | - |
| 16,000 (Previous Year Nil) of INR 100,000 each in Century Real Estate Holdings Private Limited | 15,918 | - | - | - |
| 17,900 (Previous Year Nil) of INR 100,000 each in Century Real Estate Holdings Private Limited | 19,803 | - | - | - |
| 9,650 (Previous Year Nil) of INR 100,000 each in Dosti Realty Limited | 9,566 | - | - | - |
| 709 (Previous Year Nil) of INR 1,000,000 each in Ekta Housing Private Limited | 4,588 | 2,356 | - | - |
| 1,171 (Previous Year Nil) of INR 1,000,000 each in Ekta Parksville Homes Private Limited | 7,627 | 3,844 | - | - |
| 100 (Previous Year Nil) of INR 10,000,000 each in Emami Realty Private Limited | 7,966 | 2,000 | - | - |
| 19,230,000 (Previous Year Nil) of INR 100 each in Essem Infra Private Limited | 13,106 | 6,023 | - | - |
| 12,530 (Previous Year Nil) of INR 100,000 each in Evie Real Estate Private Limited | 12,002 | 803 | - | - |
| 8,727 (Previous Year Nil) of INR 100,000 each in Flagship Infrastructure Private Limited | 8,167 | 503 | - | - |
| 106 (Previous Year Nil) of INR 10,000,000 each in Forum Homes Private Limited | 6,044 | 4,494 | - | - |
| 6,750 (Previous Year Nil) of INR 100,000 each in Golden Homes Private Limited | 5,619 | 1,066 | - | - |
| 7,000 (Previous Year Nil) of INR 100,000 each in Good Earth Eco Development Private Limited | 6,614 | 400 | - | - |
| 675 (Previous Year Nil) of INR 1,000,000 each in Haldhar Developers Private Limited | - | 6,569 | - | - |
| 7,000 (Previous Year Nil) of INR 100,000 each in Ideal Real Estate Private Limited | 2,933 | 4,000 | - | - |
| 6,000 (Previous Year Nil) of INR 100,000 each in Jaykali Developers Private Limited | 5,844 | - | - | - |
| 8,604 (Previous Year Nil) of INR 100,000 each in Kanakia King Style Construction Private Limited | 8,602 | - | - | - |
| 58 (Previous Year Nil) of INR 10,000,000 each in Kanakia Spaces Realty Private Limited | 5,800 | - | - | - |
| 70 (Previous Year Nil) of INR 10,000,000 each in Kanakia Spaces Realty Private Limited | 1,080 | 5,800 | - | - |
| 173 (Previous Year Nil) of INR 10,000,000 each in Keystone Realtors Private Limited | 14,184 | 2,875 | - | - |
| 79 (Previous Year Nil) of INR 10,000,000 each in Keystone Realtors Private Limited | 5,985 | 1,762 | - | - |
| 200 (Previous Year Nil) of INR 5,000,000 each in Kothari Auto Parts Manufacturers Private Limited | 10,000 | - | - | - |
| 212 (Previous Year Nil) of INR 5,000,000 each in Kothari Auto Parts Manufacturers Private Limited | 10,600 | - | - | - |
| 290 (Previous Year Nil) of INR 5,000,000 each in Kothari Auto Parts Manufacturers Private Limited | 14,500 | - | - | - |
| 33,983,000 (Previous Year Nil) of INR 100 each in Kumar Agro Products Private Limited | 30,557 | - | - | - |
| 12,500 (Previous Year Nil) of INR 100,000 each in Logix City Developers Private Limited | 7,711 | - | - | - |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

13 Investments (Continued)

| | 31 March 2017 | | 31 March 2016 | |
|---|---------------|---------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| 15,671 (Previous Year Nil) of INR 100,000 each in Manjeera Retail Holdings Private Limited | 14,263 | 1,409 | - | - |
| 17,551 (Previous Year Nil) of INR 100,000 each in Mantri Developers Private Limited | 17,458 | - | - | - |
| 1,244,200 (Previous Year Nil) of INR 1,000 each in Marvel Mega Realtors Private Limited | 12,153 | 140 | - | - |
| 22,000 (Previous Year Nil) of INR 100,000 each in NCL Industries Limited | 21,994 | - | - | - |
| 4,200 (Previous Year Nil) of INR 100,000 each in Neelkanth Vinayak Realtors Private Limited | 1,800 | 2,400 | - | - |
| 13,069 (Previous Year Nil) of INR 100,000 each in Nilkanth Tech Park Private Limited | 9,830 | 3,092 | - | - |
| 5,876 (Previous Year Nil) of INR 100,000 each in Nilkanth Tech Park Private Limited | 4,322 | 1,556 | - | - |
| 6,061 (Previous Year Nil) of INR 100,000 each in Niraj Kumar Associates Private Limited | 5,961 | - | - | - |
| 165 (Previous Year Nil) of INR 10,000,000 each in Nirmal Lifestyle Limited | 10,997 | 5,364 | - | - |
| 4,420 (Previous Year Nil) of INR 100,000 each in North Town Estate Private Limited | 4,336 | - | - | - |
| 197 (Previous Year Nil) of INR 10,000,000 each in Omkar City Developers Private Limited | 19,518 | - | - | - |
| 1,465 (Previous Year Nil) of INR 1,000,000 each in Omkar Realtors and Developers Private Limited | 14,518 | - | - | - |
| 2,269 (Previous Year Nil) of INR 1,000,000 each in Omkar Realtors and Developers Private Limited | 22,690 | - | - | - |
| 18,910 (Previous Year Nil) of INR 100,000 each in Ornate Spaces Private Limited | 19,402 | - | - | - |
| 8,500 (Previous Year Nil) of INR 100,000 each in Ozone Infra Developers Private Limited | 9,501 | - | - | - |
| 21,223 (Previous Year Nil) of INR 100,000 each in Paranjape Schemes Construction Limited | 20,734 | 342 | - | - |
| 9,500 (Previous Year Nil) of INR 100,000 each in Pheonix Hodu Developers Private Limited | 6,700 | 2,714 | - | - |
| 5,267 (Previous Year Nil) of INR 100,000 each in Phoenix Embassy Tech Zone Private Limited | 5,111 | - | - | - |
| 10,000 (Previous Year Nil) of INR 100,000 each in Prateek Infraprojects India Private Limited | 9,880 | - | - | - |
| 175 (Previous Year Nil) of INR 10,000,000 each in Raghuleela Leasing and Construction Private Limited | 16,385 | 1,000 | - | - |
| 54 (Previous Year Nil) of INR 5,000,000 each in Rajesh Estate and Nirman Private Limited | - | 2,700 | - | - |
| 80 (Previous Year Nil) of INR 5,000,000 each in Rajesh Estate and Nirman Private Limited | - | 4,000 | - | - |
| 110 (Previous Year Nil) of INR 10,000,000 each in RD Buildtech & Developers (Karnataka) Private Limited | 10,704 | - | - | - |
| 15,899 (Previous Year Nil) of INR 100,000 each in Reliance Big Limited | 14,675 | 2,066 | - | - |
| 12,126 (Previous Year Nil) of INR 100,000 each in Runwal Homes Private Limited | 10,800 | 1,326 | - | - |
| 2,564,800 (Previous Year Nil) of INR 1,000 each in Sanghi Industries Limited | 25,384 | - | - | - |
| 9,318 (Previous Year Nil) of INR 100,000 each in Sarvavasa Buildtech and Farms Private Limited | 9,216 | - | - | - |
| 21,270 (Previous Year Nil) of INR 100,000 each in Sarvavasa Buildtech and Farms Private Limited | 21,085 | - | - | - |
| 80 (Previous Year Nil) of INR 10,000,000 each in Security and Intelligence Services (India) Limited | 6,464 | 1,333 | - | - |
| 3,250 (Previous Year Nil) of INR 1,000,000 each in Shreenivas Cotton Mills Private Limited | 33,568 | - | - | - |
| 200 (Previous Year Nil) of INR 1,000,000 each in Siddhi Raj Housing Projects Private Limited | 1,943 | - | - | - |
| 1,200,000 (Previous Year Nil) of INR 1,000 each in Smaash Entertainment Private Limited | 12,445 | - | - | - |
| 150 (Previous Year Nil) of INR 1,000,000 each in Tridhaatu Mumbai Structure Private Limited | 1,497 | - | - | - |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

13 Investments (Continued)

| | 31 March 2017 | | 31 March 2016 | |
|--|------------------|----------------|---------------|----------|
| | Non current * | Current | Non current * | Current |
| 301 (Previous Year Nil) of INR 1,000,000 each in Tridhaatu Mumbai Structure Private Limited | 2,956 | 182 | - | - |
| 209,800 (Previous Year Nil) of INR 10,000 each in Wisemore Advisory Private Limited | 20,989 | - | - | - |
| 28 (Previous Year Nil) of INR 10,000,000 each in Valdel Real Estate Private Limited | 2,796 | - | - | - |
| 25,862 (Previous Year Nil) of INR 100,000 each in Vatika Infracon Private Limited | 26,836 | - | - | - |
| 1,950 (Previous Year Nil) of INR 1,000,000 each in Vatika One On One Private Limited | 19,500 | - | - | - |
| 13,440 (Previous Year Nil) of INR 100,000 each in Vijay Group Housing Private Limited | 9,939 | 3,360 | - | - |
| 2,000 (Previous Year Nil) of INR 1,000,000 each in Wadhwa Constructions & Infrastructure Private Limited | 10,659 | 9,334 | - | - |
| 2,500 (Previous Year Nil) of INR 1,000,000 each in Wadhwa Group Holdings Private Limited | 14,284 | 10,000 | - | - |
| 23,000 (Previous Year Nil) of INR 100,000 each in Reliable Exports (India) Private Limited | 23,000 | - | - | - |
| | <u>974,991</u> | <u>115,216</u> | <u>-</u> | <u>-</u> |
| Total | <u>1,068,663</u> | <u>180,315</u> | <u>-</u> | <u>-</u> |
| Aggregated book value of quoted investments | 75,615 | 21,256 | - | - |
| Aggregated market value of quoted investments | 75,615 | 21,256 | - | - |
| Aggregated book value of unquoted investments | 993,049 | 159,059 | - | - |
| Aggregated amount of impairment in value of investments | - | - | - | - |

* The non-current portion of these investments are non-trade investments



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| 14 Deferred tax asset (net) | | |
| Deferred tax asset: | | |
| Depreciation on fixed assets | 26 | 24 |
| Provision for compensated absence | 76 | 22 |
| Provision for gratuity | 126 | 14 |
| Contingent provision against standard assets | 12,967 | 464 |
| Provision on sub-standard assets | - | 291 |
| Deferment of interest income due to EIR | 297 | - |
| Deferment of interest expense due to EIR | 434 | - |
| Lease straightlining | 5 | 1 |
| Net fair value changes on foreign currency loan | 517 | - |
| Deferred tax asset | 14,448 | 816 |
| Deferred tax liabilities | - | - |
| Net deferred tax asset | 14,448 | 816 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

15 Loans and advances

| | 31 March 2017 | | 31 March 2016 | |
|---|----------------|---------------|---------------|---------------|
| | Long term | Short term | Long term | Short term |
| To parties other than related parties | | | | |
| <i>Unsecured, considered good</i> | | | | |
| Security deposits | 119 | 68 | 61 | 11 |
| | <u>119</u> | <u>68</u> | <u>61</u> | <u>11</u> |
| Loans | | | | |
| <i>Secured, considered good</i> | 586,655 | 57,549 | 49,646 | 17,427 |
| | <u>586,655</u> | <u>57,549</u> | <u>49,646</u> | <u>17,427</u> |
| <i>Secured, considered doubtful</i> | 4,199 | 4,019 | 2,077 | 4,213 |
| Less: Allowance for bad and doubtful loans and advances | (680) | (966) | (208) | (633) |
| | <u>3,519</u> | <u>3,053</u> | <u>1,869</u> | <u>3,580</u> |
| Other loans and advances | | | | |
| <i>Unsecured, considered good</i> | | | | |
| Advance Tax (net of Provision of Rs.7,763, previous year Rs.10,752) | 562 | - | 549 | - |
| Convat credit receivable | - | 144 | - | 619 |
| Loan to employee | (0) | 9 | 22 | 4 |
| Prepaid expenses | 5 | 107 | 4 | 9 |
| Advance for expenses | - | 0 | - | 2 |
| | <u>566</u> | <u>260</u> | <u>575</u> | <u>634</u> |
| To related parties | | | | |
| <i>Unsecured, considered good</i> | | | | |
| Piramal Enterprise Limited | - | - | - | 2,100 |
| Piramal Housing Finance Private Limited | 100 | - | - | - |
| | <u>100</u> | <u>-</u> | <u>-</u> | <u>2,100</u> |
| | <u>590,959</u> | <u>60,930</u> | <u>52,151</u> | <u>23,752</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|----------------|---------------|
| 16 Cash and bank balances | | |
| Cash & cash equivalent | | |
| Balances with banks | | |
| -In current accounts | 2,285 | 1,096 |
| -In fixed deposit with original maturity less than 3 months | 116,500 | 305 |
| | <u>118,785</u> | <u>1,401</u> |
| 17 Other current assets | | |
| <i>Secured, considered good</i> | | |
| Other receivable | 4 | 577 |
| <i>Unsecured, considered good</i> | | |
| Advance Processing Charges | 650 | - |
| Other Asset | 1,591 | - |
| To related parties | | |
| <i>Unsecured, considered good</i> | | |
| Piramal Enterprise Limited | 3,076 | - |
| Piramal Fund Management Private Limited | 210 | - |
| Piramal Housing Finance Private Limited | 285 | - |
| | <u>5,816</u> | <u>577</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|--|----------------|---------------|
| 18 Revenue from operations | | |
| Interest income: | | |
| - On investments | 96,718 | 86 |
| - On loans and advances | 47,300 | 12,134 |
| Other financial services: | | |
| - Processing / arranger fees | 2,339 | 1,391 |
| | <u>146,357</u> | <u>13,611</u> |
| 19 Other income | | |
| Dividend income on mutual fund units | 5 | 172 |
| Profit on sale of mutual fund units | 2,352 | - |
| Other non-operating income | 527 | 463 |
| | <u>2,884</u> | <u>635</u> |
| 20 Employee benefits expense | | |
| Salaries and wages | 7,340 | 2,165 |
| Contribution to provident and other fund | 78 | 10 |
| Staff welfare expenses | 312 | 150 |
| Other employee benefit expenses | 155 | 24 |
| | <u>7,885</u> | <u>2,349</u> |
| 21 Finance costs | | |
| Interest expense | 44,073 | 2,567 |
| Discount on commercial paper | 23,599 | - |
| Other borrowing cost | 1,335 | 306 |
| | <u>69,007</u> | <u>2,873</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the financial statements (Continued) for the year ended 31 March 2017

(Currency : Rs. in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| 22 Other expenses | | |
| Corporate Social Responsibility Expenses | 854 | 1,151 |
| Contribution to Electoral Trust | 350 | - |
| Rent | 304 | 67 |
| Amenities Fees | 62 | 60 |
| Travelling and Conveyance | 270 | 109 |
| Legal and professional fees | 1,159 | 1,526 |
| Royalty fees | 455 | - |
| Electricity expense | 37 | 16 |
| Repairs and maintenance - others | 50 | 18 |
| Postage and communication | 31 | 15 |
| Printing and stationery | 6 | 5 |
| Net fair value changes on foreign currency loan | 1,495 | - |
| Other expenses | 1,001 | 86 |
| Auditor's Remuneration | | |
| - as auditor | 27 | 9 |
| - for other services | 6 | 1 |
| Contingent provision against standard assets | 36,124 | 240 |
| Provision on doubtful assets | 805 | (55) |
| | 43,036 | 3,248 |



Piramal Finance Limited

Notes to the financial statements

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

1. Background

Piramal Finance Limited (formerly known as Piramal Finance Private Limited) ('the Company') was incorporated under the Companies Act, 1956 on 23 February 1974 with its registered and operational office in Mumbai.

The Company was issued a registration certificate no. B-13.01420 dated 18 November 2000, by the Reserve Bank of India ('RBI') under section 45 – IA of the RBI Act, 1934 to commence / carry on the business of non – banking financial institution without accepting public deposits.

The Company was converted into a public limited Company w.e.f. December 23, 2016 and consequently the name of the Company was changed from Piramal Finance Private Limited to Piramal Finance Limited w.e.f. the date of the certificate of ROC, Maharashtra, Mumbai dated January 06, 2017. The primary activities of the Company involve lending / investing.

The Company has incorporated a wholly owned subsidiary Piramal Housing Finance Private Limited on 10 February 2017 which has applied for registration to commence Housing Finance business with National Housing Bank on 28 February 2017.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The accompanying financial statements have been prepared and presented on the accrual basis of accounting, 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, the relevant provisions of the Companies Act, 2013 and other accounting principles generally accepted in India and the Reserve Bank of India ('RBI') guidelines, as adopted consistently by the Company to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest lakhs, unless otherwise stated.

2.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of financial statement. Actual results could differ from those estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to the accounting estimates is recognised prospectively in the current and future periods.



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (Continued)

2.3 Current and non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- i. it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realised within 12 months after the reporting date; or
- iv. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- i. it is expected to be settled in the Company's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is due to be settled within 12 months after the reporting date; or
- iv. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current liabilities.

All other liabilities are classified as non-current.

2.4 Revenue recognition

Interest income is recognised on an effective interest rate (EIR) basis for financial assets in the statement of profit and loss, except in the case of interest on non-performing assets which is recognised on receipt basis as per income recognition and asset classification norms prescribed by RBI.

Penal interest is recognised as income on the actual basis.

Loan processing fees income is accounted for on effective interest basis. Arranger fees income is accounted for on accrual basis.

Dividend is recognised as income as and when the right to receive the payment is established.

2.5 Borrowing Cost

Interest expense is recognised on an effective interest rate basis for financial liabilities in the statement of profit and loss.



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (Continued)

2.6 Discount on commercial paper

The difference between issue price and redemption value of commercial paper is apportioned on time basis and recognized as discount expenses

2.7 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or the revalued amount as the case may be, less accumulated depreciation and impairments, if any. Acquisition cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is charged over the estimated useful life of the fixed assets on straight-line basis in the manner prescribed in Schedule II of the Companies Act, 2013 as given below:

| Class of asset | Useful life |
|------------------------------|---|
| Office equipment | 5 years |
| Furniture | 10 years |
| Computer servers and network | 6 years |
| Computer – end user device | 3 years |
| Leasehold improvements | Amortised on straight line method over lease term |

Individual fixed assets costing less than Rupees five thousand are depreciated fully in the year of purchase or acquisition.

The Company provides pro-rata depreciation from the day the asset is ready to use / put to use, whichever is earlier and for any asset sold, till the date of sale.

2.8 Intangible assets

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the Statement of Profit and Loss.

Intangible Assets are amortized on a straight line basis over their finite useful lives over the following period:

Computer Software 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.



Piramal Finance Limited

Notes to the financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.9 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or of the cash generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying value, the carrying value is reduced to the recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss for the year.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.10 Investments

Investments are classified into non-current and current based on management's intention at the time of purchase. Purchase and sale of investments are recorded at trade date. Profit / loss on sale of investment are recognised in the statement of profit or loss on the trade date. Profit or loss on the sale of investment is determined on first in first out ('FIFO') basis.

Non-current investments are carried at amortised cost less diminution in value, if any, which is other than temporary, determined separately for each individual investment.

Quoted current investments are valued at amortised cost or market value / net realisable value whichever is lower. Current investments are valued scrip-wise. Net depreciation, if any, is provided for and net appreciation, if any, is ignored.

Unquoted investments in the units of mutual funds in the nature of current investments are valued at the net asset value declared by the mutual fund in respect of each particular scheme.

2.11 Loans

Loans are classified into 'performing' and 'non-performing' and are stated after deduction of specific provisions and interest in suspense, if any, in accordance with the prescribed RBI guidelines.

Non-performing loans are identified by periodic appraisals of the portfolio by management and appropriate provisions are made based on management's assessment of the degree of impairment of the loans, subject to minimum provisioning level prescribed by the Master Direction – "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016".



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (Continued)

2.12 Employee benefits

Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuations using the Project Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement, and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, is based on the market yields on government securities as at the balance sheet date for the estimated term of the obligations.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

Compensated absence

The employees of the Company are entitled to compensated absence. The employee can carry forward a portion of the unutilised accrued leave balance and utilise it in the future periods. The Company records an obligation for compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the expected cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

2.13 Provision for standard assets

Provision on standard assets is made in line with the prudential norms prescribed by the Master Direction – "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016".

2.14 Taxation

Income tax expense comprises of current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

Current tax

Current tax expense is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with the Income Tax Act, 1961 and Income Computation and Disclosure Standards. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted by the Company.



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (Continued)

2.14 Taxation (Continued)

Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

2.15 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

2.16 Provisions, contingent liabilities and contingent assets

The Company recognises a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (Continued)

2.17 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The Institute of Chartered Accountants of India (ICAI) has issued a guidance note on Accounting for Derivative Contracts which is effective from April 1, 2016. The guidance note requires all derivative contracts and their underlying to be marked to market and tested for hedge effectiveness and the ineffective portion if any would be charged to the Statement of Profit and Loss. The charge/credit to the Statement of Profit and Loss will depend upon the changes in the mark to market based on the actual exchange rates prevalent at each quarter end. The exchange difference on the long-term foreign currency monetary assets and liabilities which are not covered by derivative contracts (such as dollar denominated loans) would continue to be amortised over the life of the contracts.

2.18 Foreign Currency transaction

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Exchange differences, if any arising out of transaction settled during the year are recognized in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies at the year end are restated at year end rates. The resultant exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet.

2.19 Operating leases

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



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

23. Earnings per share ('EPS')

Basic and diluted EPS is computed in accordance with Accounting Standard 20 'Earnings Per Share' specified under section 133 of the Companies Act 2013.

The computation of earnings per share is set out below:

| Description | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| Net profit/ loss attributable to equity shareholders | 19,328 | 3,722 |
| Weighted average number of equity shares outstanding during the year for calculation of EPS | 1,615,062,724 | 425,420,000 |
| Basic and Diluted EPS of face value of INR 10 | 1.20 | 0.87 |

The basic and diluted EPS is same as there are no potential dilutive equity shares.

24. Capital commitment

| Particulars | 31 March 2017 | 31 March 2016 |
|------------------------------|---------------|---------------|
| Undisbursed loan commitments | 23,040 | 11,550 |
| Total | 23,040 | 11,550 |

25. Segment reporting

Since the Company's business activity falls under one business segment (i.e. investing and lending) and business operations are concentrated in India, no further disclosures as required by Accounting Standard 17 'Segment Reporting' specified under section 133 of the Companies Act 2013 have been made.

26. Significant Transaction during the year

During the year, the Company has acquired a portion of lending portfolio comprising of loan book assets of Rs. 1,395,027 lakhs and borrowing of Rs. 1,251,058 lakhs from its holding company Piramal Enterprises Limited for a net consideration of Rs.143,969 lakhs against which Company has allotted equity shares of Rs.110,398 and the remaining amount of Rs.33,571 has been paid in cash.

27. Related party disclosure

Related party disclosures as required by Accounting Standard 18 - 'Related Party Disclosures' specified under section 133 of the Companies Act 2013 are given below:-

(A) Holding company

- (i) Piramal Enterprises Limited

(B) Subsidiary Company

- (i) Piramal Housing Finance Private Limited



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

27. Related party disclosure (Continued)

(C) Fellow subsidiaries

- (i) Piramal Fund Management Private Limited
- (ii) Piramal Asset Reconstructions Private Limited
- (iii) PEL Asset Resurgence Advisory Private Limited

(D) Other related parties where common control exists

- (i) Piramal Estates Private Limited
- (ii) India Venture Advisors Private Limited
- (iii) Piramal Corporate Services Limited
- (iv) Piramal Foundation for Educational Leadership
- (v) Piramal Swasthya Management & Research Institute
- (vi) Aasan Corporate Solutions Private Limited (formerly known as Aasan Developers and Constructions Private Limited).

(E) Key Management Personnel

- (i) Mr. Khushru Jijina (Managing Director)

(F) Transactions with related parties

| Details of Transactions | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| Amenities charges paid | | |
| Piramal Estates Private Limited | - | 47 |
| Aasan Corporate Solutions Private Limited | 58 | 9 |
| Rent Paid | | |
| Piramal Estates Private Limited | - | 47 |
| Aasan Corporate Solutions Private Limited | 243 | 9 |
| Guarantee commission | | |
| Piramal Enterprises Limited | 944 | 246 |
| Professional fees | | |
| Piramal Corporate Services Limited | 375 | - |
| Piramal Enterprises Limited | 200 | 200 |
| Donations paid | | |
| Piramal Foundation for Education & Leadership | 150 | 38 |
| Piramal Swasthya Management & Research Institute | 704 | 1,109 |
| Investment in Equity Share | | |
| Piramal Housing Finance Private Limited | 1,500 | - |
| Reimbursement of expenses | | |
| Piramal Estates Private Limited | - | 13 |
| Aasan Corporate Solutions Private Limited | 27 | 4 |
| India Venture Advisors Private Limited | - | 1 |
| Piramal Fund Management Private Limited | - | 1 |
| Recovery of expenses incurred | | |
| Piramal Housing Finance Private Limited | 276 | - |
| Remuneration to KMP | | |
| Mr. Khushru Jijina | 40 | - |
| Transfer of fixed assets | | |
| Piramal Housing Finance Private Limited | 8 | - |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

27. Related party disclosure (Continued)

(E) Transactions with related parties (Continued)

| Details of Transactions | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| Receipt of interest | | |
| Piramal Enterprises Limited | 156 | 57 |
| Piramal Housing Finance Private Limited | 1 | - |
| Payment of interest | | |
| Piramal Enterprises Limited | 33 | 391 |
| Piramal Asset Reconstructions Private Limited | 7 | - |
| PEL Asset Resurgence Advisory Private Limited | 31 | - |
| Advance received | | |
| Piramal Enterprises Limited | 4,700 | 16,300 |
| Piramal Asset Reconstructions Private Limited | 190 | - |
| PEL Asset Resurgence Advisory Private Limited | 490 | - |
| Loan given | | |
| Piramal Enterprises Limited | 10,680 | 7,000 |
| Piramal Housing Finance Private Limited | 100 | - |
| Security deposit placed | | |
| Aasan Corporate Solutions Private Limited | 73 | - |
| Repayment of loan | | |
| Piramal Enterprises Limited | 4,700 | 20,100 |
| Piramal Asset Reconstructions Private Limited | 190 | - |
| PEL Asset Resurgence Advisory Private Limited | 490 | - |
| Repayment of advance given | | |
| Piramal Enterprises Limited | 12,780 | 4,900 |
| Employee related benefits transfer | | |
| Piramal Fund Management Private Limited | 210 | - |
| Share Capital issued | | |
| Piramal Enterprises Limited – against cash | 146,500 | - |
| Piramal Enterprises Limited – against transfer of net assets and liabilities (Refer note 26) | 110,398 | - |
| Payables | | |
| Piramal Enterprises Limited | - | 53 |
| Aasan Corporate Solutions Private Limited | 30 | 1 |
| Receivables | | |
| India Venture Advisors Private Limited | - | 0 |
| Piramal Enterprises Limited | 3,077 | 2,100 |
| PEL Asset Resurgence Advisory Private Limited | 1 | - |
| Aasan Corporate Solutions Private Limited | 130 | 56 |
| Piramal Housing Finance Private Limited | 385 | - |
| Piramal Fund Management Private Limited | 210 | - |

28. Operating lease

The company has entered into lease arrangements for certain office premises.

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| Lease payments recognised in the statement of profit and loss | 204 | 76 |
| Future minimum lease payments for non-cancellable operating leases | | |
| Not later than one year | 323 | 68 |
| Later than one year but not later than five years | 1030 | 44 |
| Later than five years | 77 | - |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

29. Impact due to change in accounting policy

During the year the Company has changed the accounting policy of recognizing interest income and expense from accounting based on the contracted coupon rate of instrument to their effective interest rate.

The impact is given below:

| Particulars | Amount |
|-------------------------------|--------|
| Increase in interest income | 859 |
| Decrease in interest expenses | 1,254 |

30. Cash Flow Hedge Disclosure

a. Risk Management:

The Company's activities are exposed to market risk, liquidity risk and credit risk.

The Company has an independent and dedicated Enterprise Risk Management (ERM) system to identify, manage and mitigate business risks. The Board has approved the Asset Liability Management Policy and the formation of Asset Liability Management Committee (ALCO). The ALCO includes the Company's senior management and an external industry expert. It defines the strategy for managing liquidity and interest rate risks in the business.

This note explains the sources of risk which the Company is exposed to and how the Company manages the risk:

| Risk | Management |
|--------------------------------|---|
| Liquidity risk | ALCO deliberates on the static liquidity gap statement, future asset growth plans, tenor of assets, market liquidity and pricing of various sources of funds. It decides on the optimal funding mix taking into consideration the asset strategy and a focus on diversifying sources of funds. |
| Market risk - Interest rate | ALCO reviews the interest rate gap statement and the mix of floating and fixed rate assets and liabilities. The Risk Management Group has also initiated a scenario analysis to assess the short-term impact of interest rates on net interest income (NII). |
| Market risk - Foreign exchange | The centralised treasury function aggregates the foreign exchange exposure and takes prudent measures to hedge the exposure based on prevalent macroeconomic conditions. |
| Credit risk | Each investment is assessed by the investment team as well as independent risk team on the risk-return framework. The combined analysis of these teams is presented to the Investment Committee for investment decision. The risk is being partly mitigated by diversifying the lending portfolio across sectors and geographies. |

b. Accounting for cash flow hedge

The Company has taken foreign currency floating rate borrowings which are linked to LIBOR. For managing the foreign currency risk and interest rate risk arising from changes in LIBOR on such borrowings, the Company has entered into cross-currency interest rate swap (CCIRS) for the entire loan liability. The Company has designated the CCIRS (hedging instrument) and the borrowing (hedged item) into a hedging relationship and applied hedge accounting.



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

30. Cash Flow Hedge Disclosure (Continued)

b. Accounting for cash flow hedge (Continued)

Under the terms of the CCIRS, the Company pays interest at the fixed rate to the swap counterparty in INR and receives the floating interest payments based on LIBOR in foreign currency. As the critical terms of the hedged item and the hedging instrument (notional, interest periods, underlying and fixed rates) are matching and the interest cash flows are off-setting, an economic relationship exists between the two. This ensures that the hedging instrument and hedged item have values that generally move in the opposite direction.

The CCIRS and the borrowings for one borrowing was designated into hedging relationship on 1 October 2016 and for others on 27 October 2016 which is later than the date on which the respective contracts were entered into. The gain / loss on fair valuation of CCIRS as on the date on designation has been recognised in profit or loss under the head Other Expenses (refer schedule 22).

Following table provides quantitative information regarding the hedging instrument as on March 31, 2017:

| Type of hedge and risks | Nominal value | Carrying amount of hedging instruments (included under "other current and non-current financial liabilities") | Maturity date | Average contracted fixed interest rate | Changes in fair value of hedging instrument | Changes in the value of hedged item |
|---|---------------|---|-----------------------|--|---|-------------------------------------|
| | (Liabilities) | (Liabilities) | | | | |
| Cash Flow Hedge | | | | | | |
| Foreign currency and Interest rate risk | 65,000 | 3,109 | Aug 2017 to June 2018 | 9.67% | (3,606) | 3,606 |

Following table provides the effects of hedge accounting on financial performance for the year ended March 31, 2017:

| Type of hedge | Changes in the value of hedging instruments recognised in Cash flow Hedge Reserve | Amount reclassified from cash flow hedge reserve to profit or loss | Line-item affected in statement of profit or loss because of reclassification |
|--|---|--|---|
| Cash flow hedge | | | |
| Interest Rate risk and Foreign Exchange Risk | 3,606 | 1,992 (2,101) | Finance Cost Foreign Exchange (gain)/loss |

Following table provides movements in cash flow hedge reserve:

| Particulars | Amount |
|--|------------|
| As on March 31, 2016 | - |
| Changes in fair value of CCIRS | (3,606) |
| Amounts reclassified to profit or loss | 4,093 |
| As on March 31, 2017 (Refer Schedule 4) | 487 |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

31. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under the Micro, Small and Medium Enterprises Development Act, 2006, ('MSMED') which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records including confirmations sought from suppliers on registration with specified authority under MSMED; no amounts relating to principal and interest were due or remained outstanding as at 31 March 2017. There have been no reported cases of delay in payments in excess of 45 days to micro, small and medium enterprises or of interest payments due to delay in such payments.

32. Contingent liabilities

| | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Claim against the Company not acknowledged as debt | | |
| Dues towards Income Tax for AY 2012-2013 | 6 | 6 |
| Dues towards Income Tax for AY 2014-2015 | 176 | - |
| Letter of Comfort issued by the Company | 1400 | - |

The Company is of the view that the above demands may not devolve on the Company and hence no provision has been made.

The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At year end the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of accounts.

The Company has also reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

During the year, the Company has issued Letter of Comfort of Rs.1,400 lakhs to Keystone Realtors Pvt Ltd.

33. Provision for standard assets

A general provision at 0.35% (Previous year 0.30%) of the outstanding standard assets, has been made as prescribed by RBI vide its Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”. The company has also made additional provision at 1.65% (Previous year 1.70%) on standard assets. The rate of additional provision is based on the management estimate of future expected losses in loan portfolio. This provision has been disclosed as “Contingent provision against standard assets” in the balance sheet.



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

34. Employee benefits

| I. Principal actuarial assumptions | 31 March 2017 | 31 March 2016 |
|------------------------------------|---------------|---------------|
| Discount rate | 7.22% | 7.72% |
| Salary escalation rate | 9.00% | 9.00% |
| Attrition rate | 10.00% | 17.00% |

| II. Change in defined benefit obligation and assets over the year ended | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| Present value of defined benefit obligation as at the beginning of the year | 42 | 18 |
| Interest cost | 3 | 1 |
| Current service cost | 12 | 3 |
| Liability transferred in | 169 | - |
| Past service cost incurred during the year | 8 | - |
| Benefit paid | (5) | - |
| Actuarial (gains) / losses on obligation | 27 | 20 |
| Present value of the benefit obligation as at the end of the current period | 363 | 42 |

| III. Amount recognised in the balance sheet | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| Fair value of plan assets at the end of the period | - | - |
| (Present value of the defined benefit obligation as at the end of the year) | (363) | (42) |
| Funded status | (363) | (42) |
| Unrecognised past service cost at the end of the year | - | - |
| Net (liability)/ asset recognised in the balance sheet | (363) | (42) |

| IV. Expense recognised in the statement of profit and loss | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Current service cost | 12 | 3 |
| Interest cost | 3 | 1 |
| Actuarial (gains) / losses | 132 | 20 |
| Past service cost recognised during the year | 8 | - |
| Expense recognised in statement of profit and loss | 155 | 24 |

| V. Movement in net (liability) recognised in the balance sheet | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Opening net liability | 42 | 18 |
| Expense as above | 155 | 24 |
| Net transfer in | 169 | - |
| (Net transfer out) | - | - |
| (Benefit paid) | (5) | - |
| (Benefit paid on account of settlement) | - | - |
| Net liability/ (asset) recognised in the balance sheet | 363 | 42 |

| VI. Experience adjustment | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| On plan liability (gains)/ losses | 105 | 21 | 6 | 1 | - |
| On plan assets (losses)/ gains | - | - | - | - | - |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

35. Expenditure in Foreign currency

| Particulars | 31 March 2017 | 31 March 2016 |
|---------------------------------|---------------|---------------|
| (i) Subscription and Membership | 22 | - |
| (ii) Professional Fess | 2 | - |
| (iii) Annual License Fees | 299 | - |

36. Specified Bank Notes

The details of specified Bank Notes (SBNs) held and transacted during the period 08 November 2016 to 30 December 2016 as provided in the Table below:

| Particulars | SBNs | Other denomination notes | Total |
|---|------|--------------------------|-------|
| Closing cash in hand as on 08 November 2016 | - | 2 | 2 |
| (+) Permitted receipts | - | 2 | 2 |
| (-) Permitted payments | - | 3 | 3 |
| (-) Amount deposited in Banks | - | - | - |
| Closing cash in hand as on 30 December 2016 | - | 1 | 1 |

37. Remuneration of Key Managerial Personnel

| Particulars | Name of Director | 31 March 2017 | 31 March 2016 |
|---|------------------|---------------|---------------|
| Gross Salary | Khushru Jijina | | |
| (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | | 40 | - |
| (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 | | - | - |
| Total | | 40 | - |

38. Corporate Social Responsibility Expenditure

| Particulars | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Contribution to Piramal Swasthya Management and Research Institute | 704 | 1,109 |
| Contribution to Piramal Foundation for Education Leadership | 150 | 38 |
| Total | 854 | 1,147 |
| Amount required to be spent as per Section 135 of the Act | 144 | 151 |
| <i>Amount spent during the year</i> | | |
| (i) Construction/acquisition of an asset | - | - |
| (i) On purposes other than (i) above | 854 | 1,147 |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Non-Banking Financial Company disclosures

- (i) Disclosures as required in terms of Annex I of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”.

| Particulars | Amount outstanding as at 31 March 2017 | Amount overdue as at 31 March 2017 | Amount outstanding as at 31 March 2016 | Amount overdue as at 31 March 2016 |
|--|--|--|--|--|
| Liabilities side : | | | | |
| 1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | | | | |
| (a) Debentures : Secured | 307,598 | - | - | - |
| :Unsecured | 49,177 | - | - | - |
| (other than falling within the meaning of public deposits*) | | | | |
| (b) Deferred credits | - | - | - | - |
| (c) Term loans | 741,917 | - | 13,985 | - |
| (d) Inter-corporate loans and borrowing | - | - | - | - |
| (e) Commercial Paper | 556,615 | - | - | - |
| (f) Public Deposits* | - | - | - | - |
| (g) Other loans (Unsecured) | - | - | - | - |
| * Please see Note 1 below | | | | |

| Assets Side : | Amount outstanding as at 31st March 2017 | Amount outstanding as at 31st March 2016 |
|---|---|---|
| 2 Break-up of loans and advances including bills receivables [other than those included in (3) below:] (Amount gross of provision) | | |
| (a) Secured | 652,422 | 73,362 |
| (b) Unsecured | 100 | - |
| 3 Break up of leased assets and stock on hire and other assets counting towards AFC activities | | |
| (i) Lease assets including lease rentals under sundry debtors: | | |
| (a) Financial lease | - | - |
| (b) Operating lease | - | - |
| (ii) Stock on hire including hire charges under sundry debtors: | | |
| (a) Assets on hire | - | - |
| (b) Repossessed assets | - | - |
| (iii) Other loans counting towards AFC activities | | |
| (a) Loans where assets have been repossessed | - | - |
| (b) Loans other than (a) above | - | - |



Piramal Finance Limited

Notes to the financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

| Assets Side : | Amount outstanding as at 31st March 2017 | | | Amount outstanding as at 31st March 2016 | | |
|--|---|------------|----------------|---|-----------|---------------|
| 4 Break-up of investments : | | | | | | |
| Current investments : | | | | | | |
| 1. Quoted : | | | | | | |
| (i) Shares : (a) Equity | | | - | | | - |
| (b) Preference | | | - | | | - |
| (ii) Debentures and bonds | | | 21,256 | | | - |
| (iii) Units of mutual funds | | | - | | | - |
| (iv) Government securities | | | - | | | - |
| (v) Others (please specify) | | | - | | | - |
| 2. Unquoted : | | | | | | |
| (i) Shares : (a) Equity | | | - | | | - |
| (b) Preference | | | - | | | - |
| (ii) Debentures and bonds | | | 159,059 | | | - |
| (iii) Units of mutual funds | | | - | | | - |
| (iv) Government securities | | | - | | | - |
| (v) Others (please specify) | | | - | | | - |
| Long term investments : | | | | | | |
| 1. Quoted : | | | | | | |
| (i) Shares : (a) Equity | | | - | | | - |
| (b) Preference | | | - | | | - |
| (ii) Debentures and bonds | | | 75,615 | | | - |
| (iii) Units of mutual funds | | | - | | | - |
| (iv) Government securities | | | - | | | - |
| (v) Others (please specify) | | | - | | | - |
| 2. Unquoted : | | | | | | |
| (i) Shares : (a) Equity | | | 1,500 | | | - |
| (b) Preference | | | - | | | - |
| (ii) Debentures and Bonds | | | 991,548 | | | - |
| (iii) Units of mutual funds | | | - | | | - |
| (iv) Government Securities | | | - | | | - |
| (v) Others (please specify) | | | - | | | - |
| 5 Borrower group-wise classification of assets financed as in (2) and (3) above : | | | | | | |
| Please see Note 2 below | | | | | | |
| Category (Amount net of provision) | As at 31st March 2017 | | | As at 31st March 2016 | | |
| | Secured | Unsecured | Total | Secured | Unsecured | Total |
| 1. Related Parties ** | | | | | | |
| (a) Subsidiaries | - | 100 | 100 | - | - | - |
| (b) Companies in the same group | - | - | - | - | - | - |
| (c) Other related parties | - | - | - | - | - | - |
| 2. Other than related parties | 650,776 | - | 650,776 | 71,181 | - | 71,181 |
| Total | 650,776 | 100 | 650,876 | 71,181 | - | 71,181 |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

| 6 | Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) Please see note 3 below | As at 31st March 2017 | | As at 31st March 2016 | |
|---|--|--|-------------------------------|--|-------------------------------|
| | | Market Value / Break up or fair value or NAV | Book Value (Net of Provision) | Market Value / Break up or fair value or NAV | Book Value (Net of Provision) |
| | Category | | | | |
| | 1. Related Parties ** | | | | |
| | (a) Subsidiaries | 1,500 | 1500 | - | - |
| | (b) Companies in the same group | - | - | - | - |
| | (c) Other related parties | - | - | - | - |
| | 2. Other than related parties | 1,247,478 | 1,247,478 | - | - |
| | Total | 1,247,478 | 1,248,978 | - | - |

** As per accounting standard 18 of ICAI

| (7) Other information | | | |
|-----------------------|---|-----------------------------|-----------------------------|
| | Particulars | Amount as at 31 March, 2017 | Amount as at 31 March, 2016 |
| (i) | Gross non-performing assets | - | - |
| | (a) Related parties | - | - |
| | (b) Other than related parties | 8,219 | 6,290 |
| (ii) | Net non-performing assets | - | - |
| | (a) Related parties | - | - |
| | (b) Other than related parties | 6,573 | 5,449 |
| (iii) | Assets acquired in satisfaction of debt | - | - |

Notes:

- 1 As defined in point xix of paragraph 3 of Chapter -2 of these Directions.
 - 2 Provisioning norms shall be applicable as prescribed in these Directions.
 - 3 Market value/break up or fair value or NAV is taken as same as book value in case of unquoted investments and quoted investments in absence of market value / break up or fair value or NAV.
- (ii) Disclosures as required in terms of Annex XII of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”.

Capital to risk- assets ratio ('CRAR')

| Items | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| (i) CRAR (%) | 20.59% | 70.85% |
| (ii) CRAR – Tier I capital (%) | 16.75% | 69.32% |
| (iii) CRAR – Tier II capital (%) | 3.84% | 1.53% |
| (iv) Amount of subordinated debt raised as Tier-II capital | 50,000 | - |
| (v) Amount raised by issue of Perpetual Debt Instruments | - | - |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

Investments

| Items | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| 1. Value of Investments | | |
| (i) Gross value of investments | | |
| (a) In India | 1,248,978 | - |
| (ii) Provisions for depreciation | | |
| (a) In India | - | - |
| (iii) Net Value of investments | | |
| (a) In India | 1,248,978 | - |
| 2. Movement of provisions held towards depreciation on investments | | |
| (i) Opening Balance | - | - |
| (ii) Add: Provisions made during the year | - | - |
| (iii) Less: write off / write back of excess provisions during the year | - | - |
| (iv) Closing Balance | - | - |

Forward Rate Agreement / Interest Rate Swap

| Sr. No. | Particulars | 31 March 2017 | 31 March 2016 |
|---------|---|---------------|---------------|
| (i) | The notional principal of swap agreements | 65,000 | - |
| (ii) | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | - | - |
| (iii) | Collateral required by the applicable NBFC upon entering into swaps | - | - |
| (iv) | Concentration of credit risk arising from the swaps | - | - |
| (v) | The fair value of the swap book | 62,898 | - |

Risk Exposure in Derivatives

| Sl. No. | Particular | Currency Derivatives | Interest Rate Derivatives |
|---------|---|----------------------|---------------------------|
| (i) | Derivatives (Notional Principal Amount) | | |
| | For hedging | 65,000 | - |
| (ii) | Marked to Market Positions [1] | | |
| a) | Asset (+) | - | - |
| b) | Liability (-) | 3,109 | - |
| (iii) | Credit Exposure [2] | 65,000 | - |
| (iv) | Unhedged Exposures | - | - |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

Maturity pattern of certain items of assets and liabilities

| | 1 day to 30/31 days | Over one month to 2 months | Over 2 months upto 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 | Total |
|--|---------------------------|----------------------------------|--------------------------------------|---------------------------------|-------------------------------|------------------------------|-------------------------------|-----------------|-----------|
| Liabilities | | | | | | | | | |
| Borrowings- from banks (current year) | 5,293 | - | 54,242 | 14,941 | 7,997 | 480,831 | 494 | - | 563,795 |
| Borrowings from banks (previous year) | (313) | (-) | (-) | (3,312) | (5,125) | (2,750) | (2,375) | (-) | (13,875) |
| Market borrowings (current year) | 87,197 | 243,240 | 166,956 | 78,954 | 106,292 | 276,170 | 20,011 | 49,680 | 1,028,500 |
| Market borrowings (previous year) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| Foreign Currency Liabilities (current year) | - | - | - | - | 14,629 | - | 48,383 | - | 63,012 |
| Foreign Currency Liabilities (previous year) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| Assets | | | | | | | | | |
| Advances (current year) | 3,339 | 786 | 8,674 | 13,342 | 34,562 | 269,433 | 234,426 | 88,366 | 652,928 |
| Advances (previous year) | (435) | (996) | (2,315) | (7,556) | (8,265) | (34,111) | (19,177) | (2,634) | (75,489) |
| Investments (current year) | 25,572 | 3,549 | 14,483 | 27,241 | 109,471 | 688,782 | 342,965 | 36,915 | 1,248,978 |
| Investments (previous year) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |

Note: Amount shown in the tables are gross figures without netting off the provision

Exposures to real estate sector

| Category | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| (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; Individual housing loans upto Rs. 15 lakh may be shown separately) | - | - |
| (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 | 1,664,488 | 53,712 |
| (iii) Investments in mortgage backed securities (MBS) and other securitised exposures- a. Residential b. Commercial real estate | - - | - - |
| (b) Indirect exposures Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs.) | 1,500 | |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

- (iii) Additional disclosures as required in terms of Annex XII of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”

Exposure to Capital Market

| | Particulars | 31 March 2017 | 31 March 2016 |
|--------|---|---------------|---------------|
| (i) | direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; | - | - |
| (ii) | advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds; | - | - |
| (iii) | advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security; | 57,912 | - |
| (iv) | advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances; | - | - |
| (v) | secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; | - | - |
| (vi) | loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources; | 20,989 | - |
| (vii) | bridge loans to companies against expected equity flows / issues; | - | - |
| (viii) | all exposures to Venture Capital Funds (both registered and unregistered) | - | - |
| | Total Exposure to Capital Market | 78,901 | - |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

- (iv) Additional disclosures as required in terms of Annex XII of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”

Provisions and Contingencies

| Break up of 'Provisions and Contingencies shown in Profit and Loss Account | 31 March 17 | 31 March 16 |
|--|-------------|-------------|
| Provisions for depreciation on investment | - | - |
| Provision towards NPA | 805 | (55) |
| Provision made towards Income tax | 9905 | 2,004 |
| Provision for standard assets | 36,124 | 240 |

Concentration of advances

| Particulars | 31 March 17 | 31 March 16 |
|--|-------------|-------------|
| Total advances to 20 largest borrowers* | 546,346 | 71,299 |
| Percentage of advances to 20 largest borrowers to total advances | 28.76% | 97.19% |

*includes loan and investments

Concentration of exposures

| Particulars | 31 March 17 | 31 March 16 |
|---|-------------|-------------|
| Total Exposure to 20 largest borrowers* | 549,470 | 88,955 |
| Percentage of exposures to 20 largest borrowers to total exposure | 28.56% | 97.37% |

*includes loan, investments, capital commitment and letter of comfort

Concentrations of NPA

| Particulars | 31 March 17 | 31 March 16 |
|-----------------------------------|-------------|-------------|
| Total Exposure top 4 NPA accounts | 8,219 | 6,290 |

Sector wise NPAs

| Sr. No. | Sector | Percentage of NPAs to total advances in that sector | |
|---------|---------------------------------|---|-----------|
| | | 31-Mar-17 | 31-Mar-16 |
| 1 | Agriculture & allied activities | 0% | 0% |
| 2 | MSME | 0% | 0% |
| 3 | Corporate borrowers | 0% | 0% |
| a | Real Estate | 0% | 3.93% |
| b | Education | 57.90% | 32.64% |
| 4 | Services | 0% | 0% |
| 5 | Unsecured personal loans | 0% | 0% |
| 6 | Auto loans | 0% | 0% |
| 7 | Other personal loans | 0% | 0% |



Piramal Finance Limited

Notes to the financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (Continued)

Movement of NPAs

| Particulars | 31 March 17 | 31 March 16 |
|--|-------------|-------------|
| (i) Net NPA to net advances (%) | 0.35% | 7.66% |
| (ii) Movement of NPAs (Gross) | | |
| (a) Opening balance | 6,290 | 8,954 |
| (b) Additions during the year | 4,100 | - |
| Subtotal (1) | 10,390 | 8,954 |
| (c) Reductions during the year due to recoveries | (2,171) | (2,664) |
| Subtotal (2) | (2,171) | (2,664) |
| (d) Closing balance (1-2) | 8,219 | 6,290 |
| (iii) Movement of NPAs (Net) | | |
| (a) Opening balance | 5,449 | 8,058 |
| (b) Additions during the year | 3,690 | - |
| (c) Reductions during the year | (2,566) | (2,609) |
| (d) Closing balance | 6,573 | 5,449 |
| (iv) Movement of provisions for NPAs (excluding provision on standard asset) | | |
| (i) Opening Balance | 840 | 895 |
| (ii) Additions during the year | 1,234 | 354 |
| Subtotal (1) | 2,074 | 1,249 |
| (iii) Reductions during the year | | |
| Write back of excess provision on account of reduction in NPAs | (428) | (409) |
| Subtotal (2) | (428) | (409) |
| (iv) Closing balance (1-2) | 1,646 | 840 |

(iv) Draw Down from Reserves

There is no drawdown of reserves during the year ended March 31, 2017.

(v) Registration/ licence/ authorisation obtained from other financial sectors regulators-

The Company has not obtained any registration/licence/authorization from any financial sector regulator other than Reserve Bank of India.

(vi) Rating assigned by credit rating agencies and migration of rating during the year

Credit ratings assigned to the borrowings of the Company are as under

| Nature of Borrowings | Rating Agency | Ratings Assigned |
|----------------------|---------------|------------------|
| NCD | ICRA Limited | [ICRA]AA |
| Commercial Paper | ICRA Limited | [ICRA]A1+ |

There has been no migration of ratings during the year ended 31 March 2017.

(vii) Structured product issued

The Company has not issued any structured product during the year ended 31 March 2017



Piramal Finance Limited

Notes to the financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

39. Additional Non-Banking Financial Company disclosures (*Continued*)

(viii) **Penalties/fines imposed by RBI and other banking regulatory bodies**

No penalty was imposed by RBI or any other banking regulatory bodies during the year ended 31 March 2017

(ix) **Area, Country of operation & Joint Venture Partners with regard to joint ventures and overseas subsidiaries.-**

The Company does not have any joint ventures and overseas subsidiaries.

(x) **Extent of financing of parent company product**

The Company has not financed any parent company product.

(xi) **Details of off-balance sheet SPV's sponsored**

The Company does not have any off- balance sheet SPV's sponsored.

(xii) **Disclosure of Complaints**

There are no customer complaints received during the year.

(xiii) **Securitisation/ assignment transactions**

The Company had not entered into any securitization / assignment transaction during the year ended 31 March 2017.

(xiv) **The Company has not purchased/ sold any non-performing financial assets during the year ended 31 March 2017.**

(xv) **The Company has not exceeded the applicable SBL/GBL during the year ended 31 March 2017.**

(xvi) **The Company has not taken any Exchange Traded Interest Rate (IR) Derivatives during the year ended 31 March 2017.**

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

For and on behalf of the Board of Directors of
Piramal Finance Limited



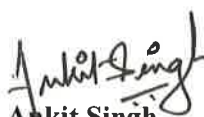
Khushru Jijina

Managing Director



Ajay Piramal

Director



Ankit Singh

Company Secretary



Ujas Popat

CFO

Mumbai

Date: May 10, 2017

Piramal Finance Limited
(Formerly known as Piramal Finance Private Limited)
Consolidated Financial Statements
together with the
Independent Auditor's Report
for the year ended 31 March 2017

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Consolidated Financial statements together with the Independent Auditor's Report

for the year ended 31 March 2017

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Balance sheet

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Cash flow statement

Notes to the financial statements

B S R & Co. LLP

Chartered Accountants

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N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

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Independent Auditor's Report

To the Members of Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated financial statements of Piramal Finance Limited (hereinafter referred to as "the Holding Company") *(formerly known as Piramal Finance Private Limited)* and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), comprising of the Consolidated balance sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated financial statements").

Management's responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated financial statements in terms of requirements of the Companies Act, 2013 ('hereinafter referred to as the Act') that give true and fair view of the Consolidated financial position, Consolidated financial performance and Consolidated cash flows of the Group 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. The respective Board of Directors of the company included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of Consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's responsibility

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

Independent Auditor's Report (*Continued*)

Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Auditor's responsibility (*Continued*)

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated 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 Consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated 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 consolidated state of affairs of the Group as at 31 March 2017, and its consolidated profit and its consolidated cash flows for the year ended on that date.

Report on other legal and regulatory requirements

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 of the aforesaid Consolidated financial statements;
- b) in our opinion, proper books of account as required by law have been kept by the Group so far as it appears from our examination of those books;
- c) the Consolidated balance sheet, the Consolidated statement of profit and loss, and the Consolidated cash flow statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of Consolidated financial statements;
- d) in our opinion, the aforesaid Consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014

Independent Auditor's Report (Continued)
Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited)

Report on other legal and regulatory requirements (Continued)

- e) on the basis of written representations received from the directors of the Group as on 31 March 2017 and taken on record by the Board of Directors of each Company, none of the directors of the Group companies is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure"; 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 Group has disclosed the impact of pending litigation on its financial position in its financial statement-refer note 32 to the consolidated financial statement;
 - ii. the Group did not have any material foreseeable losses on long term contracts including derivative contracts as at 31 March 2017;
 - iii. there were no amounts required to be transferred to the Investor Education and Protection Fund by the Group during the year ended 31 March 2017; and
 - iv. the Group has provided requisite disclosure in the financial statement on holdings as well as dealings in Specified Bank Notes during the period from 8 November 2017 to 30 December 2017. Based on audit procedure we report that the disclosures are in accordance with books of accounts maintained by the Group and as produced to us by the Management. Refer note 36 to the consolidated financial statements.

For **B S R & Co. LLP**
Chartered Accountants

ICAI Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai
Partner

Membership No: 046882

Mumbai
10 May 2017

Annexure to the Independent Auditor's Report of even date on the consolidated financial statements of Piramal Finance Limited

(Formerly known as Piramal Finance 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 consolidated financial statement as of 31 March 2017, in conjunction with our audit of the consolidated financial statements of the Group for the year ended on that date.

Management's responsibility for internal financial controls

The respective Board of Directors of the Holding Company and its subsidiary company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "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 the Group's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 Group's internal financial controls system over financial reporting.

Annexure to the Independent Auditor's Report of even date on the consolidated financial statements of Piramal Finance Limited

(Formerly known as Piramal Finance Private Limited) (Continued)

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 consolidated 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 Group 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 31 March 2017, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

10 May 2017

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Consolidated Balance sheet

as at 31 March 2017

(Currency : Rs in lakhs)

| | Note | 31 March 2017 | 31 March 2016 |
|--------------------------------|------|-------------------------|----------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 299,440 | 42,542 |
| Reserves and surplus | 4 | 38,801 | 18,986 |
| | | <u>338,241</u> | <u>61,528</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | 951,811 | 5,125 |
| Other long-term liabilities | 6 | 2,649 | 2 |
| Long-term provisions | 7 | 33,661 | 1,060 |
| | | <u>988,121</u> | <u>6,186</u> |
| Current liabilities | | | |
| Short-term borrowings | 8 | 590,740 | 7,500 |
| Trade payables | 9 | 563 | 896 |
| Other current liabilities | 10 | 114,119 | 1,630 |
| Short-term provisions | 7 | 9,042 | 1,088 |
| | | <u>714,464</u> | <u>11,114</u> |
| Total | | <u><u>2,040,826</u></u> | <u><u>78,829</u></u> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 286 | 132 |
| Intangible assets | 12 | 16 | - |
| Capital work-in-progress | 12 | 610 | - |
| Non-current investments | 13 | 1,067,163 | - |
| Deferred tax assets (net) | 14 | 14,447 | 816 |
| Long-term loans and advances | 15 | 590,860 | 52,151 |
| | | <u>1,673,382</u> | <u>53,099</u> |
| Current assets | | | |
| Current investments | 13 | 180,315 | - |
| Cash and bank balances | 16 | 120,385 | 1,401 |
| Short-term loans and advances | 15 | 60,930 | 23,752 |
| Other current assets | 17 | 5,814 | 577 |
| | | <u>367,444</u> | <u>25,730</u> |
| Total | | <u><u>2,040,826</u></u> | <u><u>78,829</u></u> |

Significant accounting policies

2

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

For BSR & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022


Manoj Kumar Vijai

Partner


Membership No: 046882

Mumbai


Date: May 10, 2017

For and on behalf of the Board of Directors of
Piramal Finance Limited


Khushru Jijina
Managing Director


Ankit Singh
Company Secretary


Ajay Piramal
Director


Ujas Popat
CFO

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Consolidated statement of profit and loss

for the year ended 31 March 2017

(Currency : Rs in lakhs)

| | Note | 31 March 2017 | 31 March 2016 |
|---|------|----------------|---------------|
| Revenue from operations | 17 | 146,357 | 13,611 |
| Other income | 18 | 2,892 | 635 |
| Total revenue | | 149,249 | 14,246 |
| Expenses | | | |
| Employee benefits expense | 19 | 7,885 | 2,349 |
| Finance costs | 20 | 69,007 | 2,873 |
| Depreciation and amortisation | 11 | 80 | 50 |
| Other expenses | 21 | 43,042 | 3,248 |
| Total expenses | | 120,014 | 8,520 |
| Profit before tax | | 29,235 | 5,726 |
| Tax expense: | | | |
| - Current tax | | 23,375 | 2,054 |
| - Prior year tax | | 161 | - |
| - Deferred tax (credit) | | (13,632) | (50) |
| Profit for the year | | 19,331 | 3,722 |
| Earning per equity share (basis and diluted) (face value INR10) | 23 | 1.20 | 0.87 |
| Significant accounting policies | 2 | | |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached.

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

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

Date: May 10, 2017

For and on behalf of the Board of Directors of
Piramal Finance Limited



Khushru Jijina
Managing Director



Ankit Singh
Company Secretary



Ajay Piramal
Director



Ujas Popat
CFO

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Consolidated Cash flow statement

for the year ended 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|------------------|-----------------|
| A. Cash flows from operating activities | | |
| Profit before tax | 29,235 | 5,726 |
| Adjustments: | | |
| Dividend on mutual fund units | (5) | (172) |
| Profit on sale of investments in mutual fund units | (2,352) | - |
| Depreciation and amortisation | 81 | 50 |
| Contingent provision against standard assets | 36,124 | 240 |
| Provision on doubtful assets | 805 | (55) |
| Net fair value changes on foreign currency loan | 1,495 | - |
| Fixed assets written off | - | 1 |
| Operating cash flow before working capital changes | 65,383 | 5,790 |
| (Increase) in other current assets | (5,238) | (255) |
| (Increase) / Decrease in investments | (1,247,478) | 2,279 |
| Decrease / (Increase) in long term loans and advances | 822,290 | (20,026) |
| (Increase) / Decrease in short term loans and advances | (37,512) | 5,749 |
| (Decrease) / Increase in trade payables | (333) | 42 |
| Increase / (Decrease) in other long term liabilities | 12 | (72) |
| Increase in other current liabilities | 510 | 11 |
| Increase in short term provisions | 3,759 | 691 |
| Increase in fixed deposit | (1,500) | - |
| Increase in long term provisions | 415 | 28 |
| Cash used in operations | (399,692) | (5,763) |
| Less: income taxes paid | (23,294) | (2,167) |
| Net cash flow (used in) operating activities (a) | (422,987) | (7,930) |
| B. Cash flows from investing activities | | |
| Fixed assets purchased | (859) | (62) |
| Investments in mutual funds | (2,022,113) | (77,530) |
| Proceeds from redemptions from mutual funds | 2,024,464 | 77,530 |
| Dividends on mutual funds | 5 | 172 |
| Net cash flow from investing activities (b) | 1,497 | 110 |
| C. Cash flows from financing activities | | |
| Borrowings during the year | 2,476,483 | 33,800 |
| Borrowings repaid during the year | (2,084,009) | (42,725) |
| Proceeds from issue of equity share | 146,500 | - |
| Net cash flow from/ (used in) financing activities (c) | 538,974 | (8,925) |
| Net increase/(decrease) in cash and cash equivalents (a + b+c) | 117,484 | (16,745) |
| Cash and cash equivalents as at beginning of the year | 1,401 | 18,146 |
| Cash and cash equivalents as at end of the year | 118,885 | 1,401 |
| Cash and cash equivalents comprise of: | | |
| Balances with banks (current account) | 2,385 | 1,096 |
| Balances with banks (deposits maturing within 3 months) | 116,500 | 305 |

Significant accounting policies

2

As per our report of even date attached.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022


Manoj Kumar Vijai
Partner

Membership No: 046882

Mumbai

Date: May 10, 2017

For and on behalf of the Board of Directors of
Piramal Finance Limited


Khushru Jijina
Managing Director


Ankit Singh
Company Secretary


Ajay Piramal
Director


Ujas Popat
CFO

Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|--|----------------|---------------|
| 3 Share capital | | |
| Authorised | | |
| 5000,000,000 (750,000,000) equity shares of INR 10 each | 500,000 | 75,000 |
| Issued, subscribed and fully paid | | |
| 2,994,401,152 (425,420,000) equity shares of INR 10 each | 299,440 | 42,542 |
| | <u>299,440</u> | <u>42,542</u> |

Reconciliation of the equity shares outstanding at the beginning and at the end of the year

| | 31 March 2017 | | 31 March 2016 | |
|--|----------------------|----------------|--------------------|---------------|
| | Number | Amount | Number | Amount |
| At the beginning of the year | 425,420,000 | 42,542 | 425,420,000 | 42,542 |
| Add: Issued during the year | | | | |
| - Issued for cash | 1,465,000,000 | 146,500 | - | - |
| - Issued for consideration other than cash (Refer note 26) | 1,103,981,152 | 110,398 | - | - |
| At the end of the year | <u>2,994,401,152</u> | <u>299,440</u> | <u>425,420,000</u> | <u>42,542</u> |

Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. There are no restrictions on payments of dividends to equity shareholders.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Shares held by holding company

| | 31 March 2017 | | 31 March 2016 | |
|---|----------------------|----------------|--------------------|---------------|
| | Number | Amount | Number | Amount |
| Equity shares of INR 10 each fully paid up held by Piramal Enterprise Limited (holding company) | 2,994,401,152 | 299,440 | 425,420,000 | 42,542 |
| | <u>2,994,401,152</u> | <u>299,440</u> | <u>425,420,000</u> | <u>42,542</u> |

Particulars of shareholders holding more than 5% shares of a class of shares

| | 31 March 2017 | | 31 March 2016 | |
|---|----------------------|----------------|--------------------|---------------|
| | Number | Amount | Number | Amount |
| Equity shares of INR 10 each fully paid up held by Piramal Enterprise Limited (holding company) | 2,994,401,152 | 299,440 | 425,420,000 | 42,542 |
| | <u>2,994,401,152</u> | <u>299,440</u> | <u>425,420,000</u> | <u>42,542</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|----------------|---------------|
| 4 Reserves and surplus | | |
| Statutory reserve fund u/s 45-IC of the RBI Act, 1934 | | |
| Opening balance | 3,924 | 3,180 |
| Add: Additions during the year | 3,866 | 744 |
| Closing balance | <u>7,790</u> | <u>3,924</u> |
| General reserves | | |
| Opening balance | 1,616 | 1,616 |
| Add: Additions during the year | - | - |
| Closing balance | <u>1,616</u> | <u>1,616</u> |
| Cash Flow Hedging Reserve | | |
| Opening balance | - | - |
| Add: Additon during the year (Refer note 30) | 484 | - |
| Closing balance | <u>484</u> | <u>-</u> |
| Surplus in the statement of profit and loss | | |
| Opening balance | 13,446 | 10,468 |
| Add: Profit for the year | 19,331 | 3,722 |
| Appropriations: | - | - |
| Less: Transfer to statutory reserve fund u/s 45-IC of the RBI Act, 1934 | 3,866 | 744 |
| Closing balance | <u>28,911</u> | <u>13,446</u> |
| | <u>38,801</u> | <u>18,986</u> |
| 5 Long term borrowings | | |
| Term loans | | |
| <i>Secured</i> | | |
| From banks | | |
| Rupee Loan | 481,326 | 5,125 |
| Foreign currency loans | 48,383 | - |
| From others | 174,333 | - |
| Redeemable Non Convertible Debentures | | |
| <i>Secured</i> | 198,592 | - |
| <i>Unsecured</i> | 49,177 | - |
| | <u>951,811</u> | <u>5,125</u> |



Piramal Finance Limited

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Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

5 Long term borrowings (Continued)

Security clause and Maturity profile of the term loans/ NCDs (including current maturities of long term borrowing)

A. Rupee Term Loan from Banks (Secured)

Nature of Security

First pari-passu charge by way of hypothecation on the standard movable assets including receivables and book debts, present and future

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|--------------|----------------|--------------|----------------|
| Rate of Interest | | | | |
| 8.75-9.75% | 3,750 | 473,011 | 8,314 | 485,076 |
| Total | 3,750 | 473,011 | 8,314 | 485,076 |

As at 31 March 2016

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|--------------|--------------|--------------|--------------|
| Rate of Interest | | | | |
| 11-11.5% | 1,250 | 2,750 | 2,375 | 6,375 |
| Total | 1,250 | 2,750 | 2,375 | 6,375 |

B. Foreign Currency Non Repatriable Loans (Secured)

Nature of Security

First pari-passu charge on the movable assets including receivables present and future

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------|---------------|----------|---------------|
| Rate of Interest | | | | |
| 9.60-9.75% | - | 48,383 | - | 48,383 |
| Total | - | 48,383 | - | 48,383 |

C. Term Loan from others (Secured)

Nature of Security

First pari-passu charge by way of hypothecation created over secured assets

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------|----------------|----------|----------------|
| Rate of Interest | | | | |
| 9.65-10% | - | 174,333 | - | 174,333 |
| Total | - | 174,333 | - | 174,333 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs. in lakhs)

5 Long term borrowings (Continued)

Security clause and Maturity profile of the term loans/ NCDs (including current maturities of long term borrowing) (Continued)

D. Redeemable Non Convertible Debentures (Secured):

Nature of Security

First pari-passu charge by hypothecation over the movable assets and a first ranking pari passu mortgage over Specifically Mortgaged Property

As at 31 March 2017

| Maturities | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------------|----------------|------------|----------------|
| Rate of Interest | | | | |
| 7.75-8.55% | 109,006 | 2,548 | - | 111,553 |
| 8.56-9.72% | - | 195,542 | 503 | 196,045 |
| Total | 109,006 | 198,089 | 503 | 307,598 |

E. Redeemable Non Convertible Debentures (Unsecured subordinated (Tier II))

As at 31 March 2017

| Maturity | <1 year | 1-3 years | >3 years | Grand Total |
|------------------|----------|-----------|---------------|---------------|
| Rate of Interest | | | | |
| 9.55% | - | - | 49,177 | 49,177 |
| Total | - | - | 49,177 | 49,177 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|--------------------------------------|---------------|---------------|
| 6 Other long-term liabilities | | |
| Lease equalisation | 13 | 2 |
| Forward Contract Payable | 2,636 | - |
| | <u>2,649</u> | <u>2</u> |

7 Provisions

| | 31 March 2017 | | 31 March 2016 | |
|--|---------------|--------------|---------------|--------------|
| | Long Term | Short Term | Long Term | Short Term |
| Provision for gratuity | 315 | 48 | 30 | 13 |
| Provision for employee bonus | - | 4,388 | - | 692 |
| Provision for compensated absence | 167 | 54 | 37 | 27 |
| Provision for tax (net of advance tax of Rs. 24,986 (previous year Rs. 404)) | - | 266 | - | 8 |
| | <u>482</u> | <u>4,756</u> | <u>67</u> | <u>739</u> |
| Others | | | | |
| Contingent provisions against standard assets | 33,180 | 4,286 | 993 | 349 |
| | <u>33,180</u> | <u>4,286</u> | <u>993</u> | <u>349</u> |
| | <u>33,661</u> | <u>9,042</u> | <u>1,060</u> | <u>1,088</u> |



Piramal Finance Limited

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Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|----------------|---------------|
| 8 Short term borrowings | | |
| Working Capital Demand Loan (secured) | | |
| -From banks | | |
| Ruppee Loans | 19,496 | 7,500 |
| (Secured by first pari-passu charge by way of hypothecation on the standard moveable assets including receivables and book debts ,present and future) | | |
| Term Loan (Unsecured) | | |
| -From banks | | |
| Foreign Currency Loans | 14,629 | - |
| Others (Unsecured) | | |
| Commercial Papers (net of unamortised discount of Rs.5,885 (previous year- Rs.Nil)) | 556,615 | - |
| | <u>590,740</u> | <u>7,500</u> |
| 9 Trade payables | | |
| Trade payable | | |
| - Payable to Micro & Small suppliers (Refer Note 31) | - | - |
| - Payables to others | 563 | 896 |
| | <u>563</u> | <u>896</u> |
| 10 Other current liabilities | | |
| Current maturities of long term debt (Refer Note 5) | 112,756 | 1,250 |
| Advance received | 394 | 22 |
| Dues to holding company | - | 53 |
| Interest accrued but not due | - | 110 |
| Forward Contract Payable | 473 | - |
| Taxes payable | 456 | 83 |
| Payable to employees | 40 | 112 |
| | <u>114,119</u> | <u>1,630</u> |



Piramal Finance Limited
(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)
as at 31 March 2017

(Currency : Rs in lakhs)

11 Tangible fixed assets

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block | |
|------------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|----------------------|----------------------|
| | As at 1 April 2016 | Additions during the year | Deductions during the year | As at 31 Mar 2017 | Charge for the year | Deductions during the year | As at 31 Mar 2017 | As at 31 Mar 2017 |
| Land & Building | - | 16 | - | 16 | - | - | - | 16 |
| Office equipment | 44 | 17 | - | 61 | 10 | - | 14 | 47 |
| Computer | 24 | 55 | - | 79 | 11 | - | 25 | 54 |
| Computer Server | - | 35 | - | 35 | 3 | - | 3 | 33 |
| Furniture | 11 | 30 | - | 41 | 2 | - | 2 | 39 |
| Leasehold Improvements | 201 | 80 | - | 281 | 53 | - | 183 | 98 |
| Total | 280 | 233 | - | 513 | 79 | - | 227 | 286 |

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block | |
|------------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|----------------------|----------------------|
| | As at 1 April 2015 | Additions during the year | Deductions during the year | As at 31 Mar 2016 | Charge for the year | Deductions during the year | As at 31 Mar 2016 | As at 31 Mar 2016 |
| Office equipment | 7 | 37 | - | 44 | 3 | - | 4 | 40 |
| Computer | 23 | 5 | 4 | 24 | 6 | 3 | 14 | 10 |
| Furniture | 3 | 8 | - | 11 | 0 | - | 0 | 11 |
| Leasehold Improvements | 189 | 12 | - | 201 | 41 | - | 130 | 71 |
| Total | 222 | 63 | 4 | 280 | 50 | 3 | 148 | 132 |

12 Intangible fixed assets and Capital WIP

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block | |
|---------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|----------------------|----------------------|
| | As at 1 April 2016 | Additions during the year | Deductions during the year | As at 31 Mar 2017 | Charge for the year | Deductions during the year | As at 31 Mar 2017 | As at 31 Mar 2017 |
| Computer software | 0 | 17 | - | 17 | 1 | - | 1 | 16 |
| Total-I | 0 | 17 | - | 17 | 1 | - | 1 | 16 |
| Capital WIP-II | - | 610 | - | 610 | - | - | - | 610 |
| Total-I + II | 0 | 627 | - | 627 | 1 | - | 1 | 626 |

| Description | Gross Block | | | Depreciation / amortisation | | | Net Block | |
|-------------------|-----------------------|------------------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|----------------------|----------------------|
| | As at 1 April 2015 | Additions during the year | Deductions during the year | As at 31 Mar 2016 | Charge for the year | Deductions during the year | As at 31 Mar 2016 | As at 31 Mar 2016 |
| Computer software | 0 | - | - | 0 | 0 | - | 0 | 0 |
| Total | 0 | - | - | 0 | 0 | - | 0 | 0 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

13 Investments

| | 31 March 2017 | | 31 March 2016 | |
|--|---------------|---------------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| Investments in Debentures (Quoted) (at cost) (fully paid up) | | | | |
| Redeemable Non-Convertible Debentures | | | | |
| Secured | | | | |
| 19,000 (Previous Year Nil) of INR 100,000 each in Century Joint Developers Private Limited | 17,227 | 1,500 | - | - |
| 6,168 (Previous Year Nil) of INR 100,000 each in Three C Green Developers Private Limited | 2,060 | 4,406 | - | - |
| 21,011 (Previous Year Nil) of INR 100,000 each in VGN Developers Private Limited | 13,854 | 8,100 | - | - |
| 15,000 (Previous Year Nil) of INR 100,000 each in Essel Green Energy Private Limited | 16,122 | - | - | - |
| 216 (Previous Year Nil) of INR 10,000,000 each in ACME Cleantech Solutions Private Limited | 22,002 | - | - | - |
| 11,600 (Previous Year Nil) of INR 100,000 each in SPR Constructions Private Limited | 4,350 | 7,250 | - | - |
| | <u>75,615</u> | <u>21,256</u> | - | - |
| Investments in Debentures (Unquoted) (at cost) (fully paid up) | | | | |
| Redeemable Optionally Convertible Debentures | | | | |
| Secured | | | | |
| 2,125 (Previous Year Nil) of INR 1,000,000 each in Navayuga Road Projects Private Limited SR - I | - | 41,171 | - | - |
| 1,905 (Previous Year Nil) of INR 1,000,000 each in Regen Infrastructure Private Limited | 16,557 | 2,672 | - | - |
| | <u>16,557</u> | <u>43,843</u> | - | - |
| Redeemable Non-Convertible Debentures (fully paid up) | | | | |
| Secured | | | | |
| 1,240 (Previous Year Nil) of INR 1,000,000 each in Adarsh Haven Private Limited | 12,400 | - | - | - |
| 15,000 (Previous Year Nil) of INR 100,000 each in Akarshak Realty Private Limited | 14,711 | - | - | - |
| 78 (Previous Year Nil) of INR 10,000,000 each in Akarsh Residency Private Limited | 7,727 | - | - | - |
| 760 (Previous Year Nil) of INR 1,000,000 each in Akshar Space Private Limited | 6,735 | 760 | - | - |
| 9,220 (Previous Year Nil) of INR 100,000 each in Akshaya Private Limited | 7,474 | 1,620 | - | - |
| 108 (Previous Year Nil) of INR 10,000,000 each in Alekhya Property Developments Private Limited | 10,702 | - | - | - |
| 3,358 (Previous Year Nil) of INR 100,000 each in Arihant Unitech Realty Projects Limited | 2,800 | 558 | - | - |
| 2,394 (Previous Year Nil) of INR 1,000,000 each in Arun Excello Homes Private Limited | 21,299 | 2,639 | - | - |
| 1,700 (Previous Year Nil) of INR 1,000,000 each in Arun Excello Realty Private Limited | 15,914 | 1,097 | - | - |
| 15,250 (Previous Year Nil) of INR 100,000 each in Atria Brindavan Power Private Limited | 15,250 | - | - | - |
| 20,985 (Previous Year Nil) of INR 100,000 each in ATS Heights Private Limited | 21,405 | - | - | - |
| 19,175 (Previous Year Nil) of INR 100,000 each in ATS Homes Private Limited | 19,761 | - | - | - |
| 15,000 (Previous Year Nil) of INR 100,000 each in ATS Homes Private Limited | 11,361 | 4,175 | - | - |
| 18,500 (Previous Year Nil) of INR 100,000 each in ATS Real Estate Builders Private Limited | 18,500 | - | - | - |
| 3,000 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 2,999 | - | - | - |
| 3,300 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 2,905 | 367 | - | - |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

13 Investments (Continued)

| | 31 March 2017 | | 31 March 2016 | |
|---|---------------|---------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| 300 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 300 | - | - | - |
| 2,000 (Previous Year Nil) of INR 100,000 each in Baashyaam Constructions Private Limited | 1,999 | - | - | - |
| 18,700 (Previous Year Nil) of INR 100,000 each in Bestech India Private Limited | 18,260 | 283 | - | - |
| 2,460 (Previous Year Nil) of INR 88,000 each in Bhaveshwar Properties Private Limited | 1,380 | 1,080 | - | - |
| 16,000 (Previous Year Nil) of INR 100,000 each in Century Real Estate Holdings Private Limited | 15,918 | - | - | - |
| 17,900 (Previous Year Nil) of INR 100,000 each in Century Real Estate Holdings Private Limited | 19,803 | - | - | - |
| 9,650 (Previous Year Nil) of INR 100,000 each in Dosti Realty Limited | 9,566 | - | - | - |
| 709 (Previous Year Nil) of INR 1,000,000 each in Ekta Housing Private Limited | 4,588 | 2,356 | - | - |
| 1,171 (Previous Year Nil) of INR 1,000,000 each in Ekta Parkville Homes Private Limited | 7,627 | 3,844 | - | - |
| 100 (Previous Year Nil) of INR 10,000,000 each in Emami Realty Private Limited | 7,966 | 2,000 | - | - |
| 19,230,000 (Previous Year Nil) of INR 100 each in Essem Infra Private Limited | 13,106 | 6,023 | - | - |
| 12,530 (Previous Year Nil) of INR 100,000 each in Evie Real Estate Private Limited | 12,002 | 803 | - | - |
| 8,727 (Previous Year Nil) of INR 100,000 each in Flagship Infrastructure Private Limited | 8,167 | 503 | - | - |
| 106 (Previous Year Nil) of INR 10,000,000 each in Forum Homes Private Limited | 6,044 | 4,494 | - | - |
| 6,750 (Previous Year Nil) of INR 100,000 each in Golden Homes Private Limited | 5,619 | 1,066 | - | - |
| 7,000 (Previous Year Nil) of INR 100,000 each in Good Earth Eco Development Private Limited | 6,614 | 400 | - | - |
| 675 (Previous Year Nil) of INR 1,000,000 each in Haldhar Developers Private Limited | - | 6,569 | - | - |
| 7,000 (Previous Year Nil) of INR 100,000 each in Ideal Real Estate Private Limited | 2,933 | 4,000 | - | - |
| 6,000 (Previous Year Nil) of INR 100,000 each in Jaykali Developers Private Limited | 5,844 | - | - | - |
| 8,604 (Previous Year Nil) of INR 100,000 each in Kanakia King Style Construction Private Limited | 8,602 | - | - | - |
| 58 (Previous Year Nil) of INR 10,000,000 each in Kanakia Spaces Realty Private Limited | 5,800 | - | - | - |
| 70 (Previous Year Nil) of INR 10,000,000 each in Kanakia Spaces Realty Private Limited | 1,080 | 5,800 | - | - |
| 173 (Previous Year Nil) of INR 10,000,000 each in Keystone Realtors Private Limited | 14,184 | 2,875 | - | - |
| 79 (Previous Year Nil) of INR 10,000,000 each in Keystone Realtors Private Limited | 5,985 | 1,762 | - | - |
| 200 (Previous Year Nil) of INR 5,000,000 each in Kothari Auto Parts Manufacturers Private Limited | 10,000 | - | - | - |
| 212 (Previous Year Nil) of INR 5,000,000 each in Kothari Auto Parts Manufacturers Private Limited | 10,600 | - | - | - |
| 290 (Previous Year Nil) of INR 5,000,000 each in Kothari Auto Parts Manufacturers Private Limited | 14,500 | - | - | - |
| 33,983,000 (Previous Year Nil) of INR 100 each in Kumar Agro Products Private Limited | 30,557 | 3,137 | - | - |
| 12,500 (Previous Year Nil) of INR 100,000 each in Logix City Developers Private Limited | 7,711 | 4,688 | - | - |
| 15,671 (Previous Year Nil) of INR 100,000 each in Manjeera Retail Holdings Private Limited | 14,263 | 1,409 | - | - |
| 17,551 (Previous Year Nil) of INR 100,000 each in Mantri Developers Private Limited | 17,458 | - | - | - |
| 1,244,200 (Previous Year Nil) of INR 1,000 each in Marvel Mega Realtors Private Limited | 12,153 | 140 | - | - |
| 22,000 (Previous Year Nil) of INR 100,000 each in NCL Industries Limited | 21,994 | - | - | - |



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Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

13 Investments (Continued)

| | 31 March 2017 | | 31 March 2016 | |
|---|---------------|---------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| 4,200 (Previous Year Nil) of INR 100,000 each in Neelkanth Vinayak Realtors Private Limited | 1,800 | 2,400 | - | - |
| 13,069 (Previous Year Nil) of INR 100,000 each in Nilkanth Tech Park Private Limited | 9,830 | 3,092 | - | - |
| 5,876 (Previous Year Nil) of INR 100,000 each in Nilkanth Tech Park Private Limited | 4,322 | 1,556 | - | - |
| 6,061 (Previous Year Nil) of INR 100,000 each in Niraj Kumar Associates Private Limited | 5,961 | - | - | - |
| 165 (Previous Year Nil) of INR 10,000,000 each in Nirmal Lifestyle Limited | 10,997 | 5,364 | - | - |
| 4,420 (Previous Year Nil) of INR 100,000 each in North Town Estate Private Limited | 4,336 | - | - | - |
| 197 (Previous Year Nil) of INR 10,000,000 each in Omkar City Developers Private Limited | 19,518 | - | - | - |
| 1,465 (Previous Year Nil) of INR 1,000,000 each in Omkar Realtors and Developers Private Limited | 14,518 | - | - | - |
| 2,269 (Previous Year Nil) of INR 1,000,000 each in Omkar Realtors and Developers Private Limited | 22,690 | - | - | - |
| 18,910 (Previous Year Nil) of INR 100,000 each in Ornate Spaces Private Limited | 19,402 | - | - | - |
| 8,500 (Previous Year Nil) of INR 100,000 each in Ozone Infra Developers Private Limited | 9,501 | - | - | - |
| 21,223 (Previous Year Nil) of INR 100,000 each in Paranjape Schemes Construction Limited | 20,734 | 342 | - | - |
| 9,500 (Previous Year Nil) of INR 100,000 each in Pheonix Hodu Developers Private Limited | 6,700 | 2,714 | - | - |
| 5,267 (Previous Year Nil) of INR 100,000 each in Phoenix Embassy Tech Zone Private Limited | 5,111 | - | - | - |
| 10,000 (Previous Year Nil) of INR 100,000 each in Prateek Infraprojects India Private Limited | 9,880 | - | - | - |
| 175 (Previous Year Nil) of INR 10,000,000 each in Raghuleela Leasing and Construction Private Limited | 16,385 | 1,000 | - | - |
| 54 (Previous Year Nil) of INR 5,000,000 each in Rajesh Estate and Nirman Private Limited | - | 2,700 | - | - |
| 80 (Previous Year Nil) of INR 5,000,000 each in Rajesh Estate and Nirman Private Limited | - | 4,000 | - | - |
| 110 (Previous Year Nil) of INR 10,000,000 each in RD Buildtech & Developers (Karnataka) Private Limited | 10,704 | - | - | - |
| 15,899 (Previous Year Nil) of INR 100,000 each in Reliance Big Limited | 14,675 | 2,066 | - | - |
| 12,126 (Previous Year Nil) of INR 100,000 each in Runwal Homes Private Limited | 10,800 | 1,326 | - | - |
| 2,564,800 (Previous Year Nil) of INR 1,000 each in Sanghi Industries Limited | 25,384 | - | - | - |
| 9,318 (Previous Year Nil) of INR 100,000 each in Sarvasva Buildtech and Farms Private Limited | 9,216 | - | - | - |
| 21,270 (Previous Year Nil) of INR 100,000 each in Sarvasva Buildtech and Farms Private Limited | 21,085 | - | - | - |
| 80 (Previous Year Nil) of INR 10,000,000 each in Security and Intelligence Services (India) Limited | 6,464 | 1,333 | - | - |
| 3,250 (Previous Year Nil) of INR 1,000,000 each in Shreeniwas Cotton Mills Private Limited | 33,568 | - | - | - |
| 200 (Previous Year Nil) of INR 1,000,000 each in Siddhi Raj Housing Projects Private Limited | 1,943 | - | - | - |
| 1,200,000 (Previous Year Nil) of INR 1,000 each in Smaaash Entertainment Private Limited | 12,445 | - | - | - |
| 150 (Previous Year Nil) of INR 100,000 each in Tridhaatu Mumbai Structure Private Limited | 1,497 | - | - | - |
| 301 (Previous Year Nil) of INR 100,000 each in Tridhaatu Mumbai Structure Private Limited | 2,956 | 182 | - | - |
| 209,800 (Previous Year Nil) of INR 10,000 each in Wisemore Advisory Private Limited | 20,989 | - | - | - |
| 28 (Previous Year Nil) of INR 10,000,000 each in Valdel Real Estate Private Limited | 2,796 | - | - | - |
| 25,862 (Previous Year Nil) of INR 100,000 each in Vatika Infracon Private Limited | 26,836 | - | - | - |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

13 Investments (Continued)

| | 31 March 2017 | | 31 March 2016 | |
|--|------------------|----------------|---------------|---------|
| | Non current * | Current | Non current * | Current |
| 1,950 (Previous Year Nil) of INR 100,000 each in Vatika One On One Private Limited | 19,500 | - | - | - |
| 13,440 (Previous Year Nil) of INR 100,000 each in Vijay Group Housing Private Limited | 9,939 | 3,360 | - | - |
| 2,000 (Previous Year Nil) of INR 1,000,000 each in Wadhwa Constructions & Infrastructure Private Limited | 10,659 | 9,333 | - | - |
| 2,500 (Previous Year Nil) of INR 1,000,000 each in Wadhwa Group Holdings Private Limited | 14,284 | 10,000 | - | - |
| 23,000 (Previous Year Nil) of INR 100,000 each in Reliable Exports (India) Private Limited | 23,000 | - | - | - |
| | <u>974,991</u> | <u>115,216</u> | - | - |
| | <u>1,067,163</u> | <u>180,315</u> | - | - |
| Aggregated book value of quoted investments | 75,615 | 21,256 | - | - |
| Aggregated market value of quoted investments | 75,615 | 21,256 | - | - |
| Aggregated value of unquoted investments | 991,549 | 159,059 | - | - |
| Aggregated amount of impairment in value of investments | - | - | - | - |

* The non-current portion of these investments are non-trade investments



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| 14 Deferred tax assets (net) | | |
| Deferred tax asset | 26 | 24 |
| Depreciation on fixed assets | 76 | 22 |
| Provision for compensated absence | 126 | 14 |
| Provision for gratuity | 12,966 | 464 |
| Contingent provision against standard assets | - | 291 |
| Provision on sub-standard assets | 517 | - |
| Net fair value changes on foreign currency loan | 297 | - |
| Deferment of interest income due to EIR | 434 | - |
| Deferment of interest expense due to EIR | 5 | 1 |
| Lease straightlining | | |
| | <hr/> | <hr/> |
| Deferred tax asset | 14,447 | 816 |
| Deferred tax liabilities | - | - |
| | <hr/> | <hr/> |
| Net deferred tax asset | 14,447 | 816 |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

15 Loans and advances

| | 31 March 2017 | | 31 March 2016 | |
|---|----------------|---------------|---------------|---------------|
| | Long term | Short term | Long term | Short term |
| To parties other than related parties | | | | |
| <i>Unsecured, considered good</i> | | | | |
| Security deposits | 119 | 68 | 61 | 11 |
| | <u>119</u> | <u>68</u> | <u>61</u> | <u>11</u> |
| Loans | | | | |
| <i>Secured, considered good</i> | 586,655 | 57,549 | 49,646 | 17,427 |
| | <u>586,655</u> | <u>57,549</u> | <u>49,646</u> | <u>17,427</u> |
| <i>Secured, considered doubtful</i> | 4,199 | 4,019 | 2,077 | 4,213 |
| Less: Allowance for bad and doubtful loans and advances | (680) | (966) | (208) | (633) |
| | <u>3,519</u> | <u>3,053</u> | <u>1,869</u> | <u>3,580</u> |
| Other loans and advances | | | | |
| <i>Unsecured, considered good</i> | | | | |
| Advance Tax (net of Provision of Rs.7,763, previous year Rs.10,752) | 563 | - | 549 | - |
| Cenvat credit receivable | - | 144 | - | 619 |
| Loan to employee | (0) | 9 | 22 | 4 |
| Prepaid expenses | 5 | 107 | 4 | 9 |
| Advance for expenses | - | 0 | - | 2 |
| | <u>568</u> | <u>260</u> | <u>575</u> | <u>634</u> |
| To related parties | | | | |
| Loan and advances | | | | |
| <i>Unsecured, considered good</i> | | | | |
| Piramal Enterprise Limited | - | - | - | 2,100 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,100</u> |
| | <u>590,860</u> | <u>60,930</u> | <u>52,151</u> | <u>23,752</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

as at 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|----------------|---------------|
| 16 Cash and bank balances | | |
| Cash & cash equivalent | | |
| Balances with banks | | |
| -In current accounts | 2,385 | 1,096 |
| -In fixed deposit with original maturity less than 3 months | 116,500 | 305 |
| Other Bank balances | | |
| Deposit with banks (maturity within 12 months) | 1,500 | - |
| | <u>120,385</u> | <u>1,401</u> |
| 17 Other current assets | | |
| <i>Secured, considered good</i> | | |
| Other receivable | 11 | 577 |
| <i>Unsecured, considered good</i> | | |
| Other Asset | 1,591 | - |
| Advance Processing Charges | 649 | - |
| Preliminary Expenses | 276 | - |
| To related parties | | |
| <i>Unsecured, considered good</i> | | |
| Piramal Enterprise Limited | 3,077 | - |
| Piramal Fund Management Private Limited | 210 | - |
| | <u>5,814</u> | <u>577</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|--|----------------|---------------|
| 18 Revenue from operations | | |
| Interest income: | | |
| - On investments | 96,718 | 86 |
| - On loans and advances | 47,300 | 12,134 |
| Other financial services: | | |
| - Processing / arranger fees | 2,339 | 1,391 |
| | <u>146,357</u> | <u>13,611</u> |
| 19 Other income | | |
| Dividend income on mutual fund units | 5 | 172 |
| Profit on sale of mutual fund units | 2,352 | - |
| Other non-operating income | 535 | 463 |
| | <u>2,892</u> | <u>635</u> |
| 20 Employee benefits expense | | |
| Salaries and wages | 7,340 | 2,165 |
| Contribution to Provident and other fund | 78 | 10 |
| Staff welfare expenses | 312 | 150 |
| Other employee benefit expenses | 155 | 24 |
| | <u>7,885</u> | <u>2,349</u> |
| 21 Finance costs | | |
| Interest expense | 44,073 | 2,567 |
| Discount on commercial paper | 23,599 | - |
| Other borrowing cost | 1,335 | 306 |
| | <u>69,007</u> | <u>2,873</u> |



Piramal Finance Limited

(formerly known as Piramal Finance Private Limited)

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency : Rs in lakhs)

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| 22 Other expenses | | |
| Corporate Social Responsibility Expenses | 854 | 1,151 |
| Contribution to electoral trust | 350 | - |
| Rent | 304 | 67 |
| Amenities fees | 62 | 60 |
| Travelling and conveyance | 271 | 109 |
| Legal and professional fees | 1,164 | 1,526 |
| Royalty fees | 455 | - |
| Electricity expense | 37 | 16 |
| Repairs and maintenance - others | 50 | 18 |
| Postage and communication | 31 | 15 |
| Printing and stationery | 6 | 5 |
| Net fair value changes on foreign currency loan | 1,495 | - |
| Other expenses | 1,001 | 86 |
| Auditor's Remuneration | | |
| - as auditor | 27 | 9 |
| - for other services | 6 | 1 |
| Contingent provision against standard assets | 36,124 | 240 |
| Provision on doubtful assets | 805 | (55) |
| | <u>43,042</u> | <u>3,248</u> |



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

1. Background

Piramal Finance Limited (formerly known as Piramal Finance Private Limited) ('the Company') was incorporated under the Companies Act, 1956 on 23 February 1974 with its registered and operational office in Mumbai.

The Company was issued a registration certificate no. B-13.01420 dated 18 November 2000, by the Reserve Bank of India ('RBI') under section 45 – IA of the RBI Act, 1934 to commence / carry on the business of non – banking financial institution without accepting public deposits.

The Company was converted into a public limited Company w.e.f. December 23, 2016 and consequently the name of the Company was changed from Piramal Finance Private Limited to Piramal Finance Limited w.e.f. the date of the certificate of ROC, Maharashtra, Mumbai dated January 06, 2017. The primary activities of the Company involve lending / investing.

The Company has incorporated a wholly owned subsidiary Piramal Housing Finance Private Limited on 10 February 2017 which has applied for registration to commence Housing Finance business with National Housing Bank on 28 February 2017. The Company along with its subsidiaries is hereinafter collectively referred to as "the Group".

2. Significant accounting policies

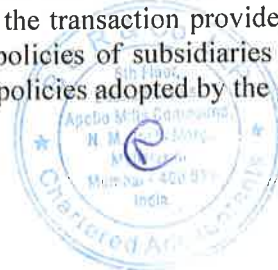
2.1 Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements have been prepared and presented on the accrual basis of accounting, 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, the relevant provisions of the Companies Act, 2013 and other accounting principles generally accepted in India and the Reserve Bank of India ('RBI') guidelines, as adopted consistently by the Group to the extent applicable. The consolidated financial statements are presented in Indian rupees rounded off to the nearest lakhs, unless otherwise stated.

2.2 Investment in subsidiaries

Subsidiaries are all entities over which the group has control. Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.3 Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities on the date of financial statement. Actual results could differ from those estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to the accounting estimates is recognised prospectively in the current and future periods.

2.4 Current and non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- i. it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is expected to be realised within 12 months after the reporting date; or
- iv. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- i. it is expected to be settled in the Group's normal operating cycle;
- ii. it is held primarily for the purpose of being traded;
- iii. it is due to be settled within 12 months after the reporting date; or
- iv. the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current liabilities.

All other liabilities are classified as non-current.



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.5 Revenue recognition

Income is recognised on an effective interest rate (EIR) basis for financial assets in the statement of profit and loss, except in the case of interest on non-performing assets which is recognised on receipt basis as per income recognition and asset classification norms prescribed by RBI.

Penal interest is recognised as income on the actual basis.

Loan processing fees income is accounted for on effective interest basis. Arranger fees income is accounted for on accrual basis.

Dividend is recognised as income as and when the right to receive the payment is established.

2.6 Borrowing cost

Interest expense is recognised on an effective interest rate basis for financial liabilities in the statement of profit and loss.

2.7 Discount on commercial paper

The difference between issue price and redemption value of commercial paper is apportioned on time basis and recognized as discount expenses.

2.8 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or the revalued amount as the case may be, less accumulated depreciation and impairments, if any. Acquisition cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is charged over the estimated useful life of the fixed assets on straight-line basis in the manner prescribed in Schedule II of the Companies Act, 2013 as given below:

| Class of asset | Useful life |
|------------------------------|---|
| Office equipment | 5 years |
| Furniture | 10 years |
| Computer servers and network | 6 years |
| Computer – end user device | 3 years |
| Leasehold improvements | Amortised on straight line method over lease term |

Individual fixed assets costing less than Rupees five thousand are depreciated fully in the year of purchase or acquisition.

The Group provides pro-rata depreciation from the day the asset is ready to use / put-to use, whichever is earlier and for any asset sold, till the date of sale.



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.9 Intangible assets

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the Statement of Profit and Loss.

Intangible Assets are amortized on a straight line basis over their finite useful lives over the following period:

| | |
|-------------------|---------|
| Computer Software | 6 years |
|-------------------|---------|

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.10 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset or of the cash generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying value, the carrying value is reduced to the recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss for the year.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

2.11 Investments

Investments are classified into non-current and current based on management's intention at the time of purchase. Purchase and sale of investments are recorded at trade date. Profit / loss on sale of investment are recognised in the statement of profit or loss on the trade date. Profit or loss on the sale of investment is determined on first in first out ('FIFO') basis.

Non-current investments are carried at amortised cost less diminution in value, if any, which is other than temporary, determined separately for each individual investment.

Quoted current investments are valued at amortised cost or market value / net realisable value whichever is lower. Current investments are valued scrip-wise. Net depreciation, if any, is provided for and net appreciation, if any, is ignored.

Unquoted investments in the units of mutual funds in the nature of current investments are valued at the net asset value declared by the mutual fund in respect of each particular scheme.



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.12 Loans

Loans are classified into 'performing' and 'non-performing' and are stated after deduction of specific provisions and interest in suspense, if any, in accordance with the prescribed RBI guidelines.

Non-performing loans are identified by periodic appraisals of the portfolio by management and appropriate provisions are made based on management's assessment of the degree of impairment of the loans, subject to minimum provisioning level prescribed by the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, issued by RBI on 1 July 2014 as amended upto 30th October 2014

2.13 Employee benefits

Gratuity

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuations using the Project Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement, and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, is based on the market yields on government securities as at the balance sheet date for the estimated term of the obligations.

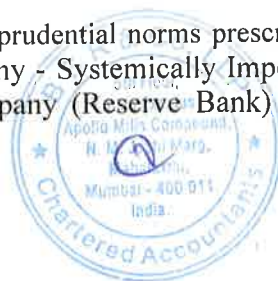
Actuarial gains and losses are recognised immediately in the statement of profit and loss.

Compensated absence

The employees of the Group are entitled to compensate absence. The employee can carry forward a portion of the unutilised accrued leave balance and utilise it in the future periods. The Group records an obligation for compensated absences in the period in which the employee renders the service that increases the entitlement. The Group measures the expected cost of compensated absence as the amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

2.14 Provision for standard assets

Provision on standard assets is made in line with the prudential norms prescribed by the Master Direction – "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016".



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.15 Taxation

Income tax expense comprises of current tax (i.e. amount of tax for the period, determined in accordance with the Income Tax Act, 1961 and the rules framed there under) and the deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year).

Current tax

Current tax expense is recognised on an annual basis under the taxes payable method, based on the estimated tax liability computed after taking credit for allowances and exemption in accordance with the Income Tax Act, 1961 and Income Computation and Disclosure Standards. In case of matters under appeal due to disallowance or otherwise, full provision is made when the said liabilities are accepted by the Group.

Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

2.16 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

2.17 Provisions, contingent liabilities and contingent assets

The Group recognises a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.17 Provisions, contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the consolidated financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.18 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The Institute of Chartered Accountants of India (ICAI) has issued a guidance note on Accounting for Derivative Contracts which is effective from April 1, 2016. The guidance note requires all derivative contracts and their underlying to be marked to market and tested for hedge effectiveness and the ineffective portion if any would be charged to the Statement of Profit and Loss. The charge/credit to the Statement of Profit and Loss will depend upon the changes in the mark to market based on the actual exchange rates prevalent at each quarter end. The exchange difference on the long-term foreign currency monetary assets and liabilities which are not covered by derivative contracts (such as dollar denominated loans) would continue to be amortised over the life of the contracts

2.19 Foreign Currency transaction

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Exchange differences, if any arising out of transaction settled during the year are recognized in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies at the year end are restated at year end rates. The resultant exchange differences, if any, are recognised in the statement of profit and loss and related assets and liabilities are accordingly restated in the balance sheet



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

2. Significant accounting policies (*Continued*)

2.20 Operating leases

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



Piramal Finance Limited

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

23 Earnings per share ('EPS')

Basic and diluted EPS is computed in accordance with Accounting Standard 20 'Earnings Per Share' specified under section 133 of the Companies Act 2013.

The computation of earnings per share is set out below:

| Description | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|---|-------------------------------------|-------------------------------------|
| Net profit/ loss (gross of transfer to statutory reserve) attributable to equity shareholders | 26,895 | 3,722 |
| Weighted average number of equity shares outstanding during the year for calculation of EPS | 1,615,062,724 | 425,420,000 |
| Basic and Diluted EPS of face value of INR 10 | 1.67 | 0.87 |

The basic and diluted EPS is same as there are no potential dilutive equity shares.

24. Capital commitment

| Particulars | 31 March 2017 | 31 March 2016 |
|------------------------------|---------------|---------------|
| Undisbursed loan commitments | 23,040 | 11,550 |
| Total | 23,040 | 11,550 |

25. Segment reporting

Since the Group's business activity falls under one business segment (i.e. investing and lending) and business operations are concentrated in India, no further disclosures as required by Accounting Standard 17 'Segment Reporting' specified under section 133 of the Companies Act 2013 have been made.

26. Significant Transaction during the year

During the year, the Company has acquired a portion of lending portfolio comprising of loan book assets of Rs. 1,395,027 and borrowing of Rs. 1,251,058 from its holding company Piramal Enterprises Limited for a net consideration of Rs.143,969 lakhs against which Company has allotted equity shares of Rs.110,398 and the remaining amount of Rs.33,571 has been paid in cash.

27. Related party disclosure

Related party disclosures as required by Accounting Standard 18 - 'Related Party Disclosures' specified under section 133 of the Companies Act 2013. are given below:-

(A) Holding company

- (i) Piramal Enterprises Limited



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

27. Related party disclosure (Continued)

(B) Fellow subsidiaries

- (i) Piramal Fund Management Private Limited
- (ii) Piramal Asset Reconstructions Private Limited
- (iii) PEL Asset Resurgence Advisory Private Limited

(C) Other related parties where common control exists

- (i) Piramal Estates Private Limited
- (ii) India Venture Advisors Private Limited
- (iii) Piramal Corporate Services Limited
- (iv) Piramal Foundation for Educational Leadership
- (v) Piramal Swasthya Management & Research Institute
- (vi) Aasan Corporate Solutions Private Limited (formerly known as Aasan Developers and Constructions Private Limited).

(D) Key Management Personnel

- (i) Mr. Khushru Jijina (Managing Director)

(E) Transactions with related parties

| Details of Transactions | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| Amenities charges paid | | |
| Piramal Estates Private Limited | - | 47 |
| Aasan Corporate Solutions Private Limited | 58 | 9 |
| Rent Paid | | |
| Piramal Estates Private Limited | - | 47 |
| Aasan Corporate Solutions Private Limited | 243 | 9 |
| Guarantee commission | | |
| Piramal Enterprises Limited | 944 | 246 |
| Professional fees | | |
| Piramal Corporate Services Limited | 375 | - |
| Piramal Enterprises Limited | 200 | 200 |
| Donations paid | | |
| Piramal Foundation for Education & Leadership | 150 | 38 |
| Piramal Swasthya Management & Research Institute | 704 | 1,109 |
| Reimbursement of expenses | | |
| Piramal Estates Private Limited | - | 13 |
| Aasan Corporate Solutions Private Limited | 27 | 4 |
| India Venture Advisors Private Limited | - | 1 |
| Piramal Fund Management Private Limited | - | 1 |
| Remuneration to KMP | | |
| Mr. Khushru Jijina | 40 | - |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

27. Related party disclosure (Continued)

(E) Transactions with related parties (Continued)

| Details of Transactions | For the year ended 31 March 2017 | For the year ended 31 March 2016 |
|--|-------------------------------------|-------------------------------------|
| Receipt of interest | | |
| Piramal Enterprises Limited | 156 | 57 |
| Payment of interest | | |
| Piramal Enterprises Limited | 33 | 391 |
| Piramal Asset Reconstructions Private Limited | 7 | - |
| PEL Asset Resurgence Advisory Private Limited | 31 | - |
| Advance received | | |
| Piramal Enterprises Limited | 4,700 | 16,300 |
| Piramal Asset Reconstructions Private Limited | 190 | - |
| PEL Asset Resurgence Advisory Private Limited | 490 | - |
| Loan given | | |
| Piramal Enterprises Limited | 10,680 | 7,000 |
| Security deposit placed | | |
| Aasan Corporate Solutions Private Limited | 73 | - |
| Repayment of loan | | |
| Piramal Enterprises Limited | 4,700 | 20,100 |
| Piramal Asset Reconstructions Private Limited | 190 | - |
| PEL Asset Resurgence Advisory Private Limited | 490 | - |
| Repayment of advance given | | |
| Piramal Enterprises Limited | 12,780 | 4,900 |
| Employee related benefits transfer | | |
| Piramal Fund Management Private Limited | 210 | - |
| Share Capital | | |
| Piramal Enterprises Limited – against cash | 146,500 | - |
| Piramal Enterprises Limited – against transfer of net assets and liabilities (Refer note 26) | 110,398 | - |
| Payables | | |
| Piramal Enterprises Limited | - | 53 |
| Aasan Corporate Solutions Private Limited | 30 | 1 |
| Receivables | | |
| India Venture Advisors Private Limited | - | 0 |
| Piramal Enterprises Limited | 3,077 | 2,100 |
| PEL Asset Resurgence Advisory Private Limited | 1 | - |
| Aasan Corporate Solutions Private Limited | 130 | 56 |
| Piramal Fund Management Private Limited | 210 | - |

28. Operating lease

The Group has entered into lease arrangements for certain office premises.

| | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| Lease payments recognised in the statement of profit and loss | 204 | 76 |
| Future minimum lease payments for non-cancellable operating leases | | |
| Not later than one year | 323 | 68 |
| Later than one year but not later than five years | 1030 | 44 |
| Later than five years | 77 | - |



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

29. Impact due to change in accounting policy

During the year the Group has changed the accounting policy of recognizing interest income and expense from accounting based on the contracted coupon rate of instrument to their effective interest rate.

The impact is given below:

| Particulars | Amount |
|-------------------------------|--------|
| Increase in interest income | 859 |
| Decrease in interest expenses | 1,254 |

30. Cash Flow Hedge Disclosure

a. Risk Management

The Group's activities are exposed to market risk, liquidity risk and credit risk.

The Group has an independent and dedicated Enterprise Risk Management (ERM) system to identify, manage and mitigate business risks. The Board has approved the Asset Liability Management Policy and the formation of Asset Liability Management Committee (ALCO). The ALCO includes the Group's senior management and an external industry expert. It defines the strategy for managing liquidity and interest rate risks in the business.

This note explains the sources of risk which the Group is exposed to and how the Group manages the risk:

| Risk | Management |
|--------------------------------|---|
| Liquidity risk | ALCO deliberates on the static liquidity gap statement, future asset growth plans, tenor of assets, market liquidity and pricing of various sources of funds. It decides on the optimal funding mix taking into consideration the asset strategy and a focus on diversifying sources of funds. |
| Market risk - Interest rate | ALCO reviews the interest rate gap statement and the mix of floating and fixed rate assets and liabilities. The Risk Management Group has also initiated a scenario analysis to assess the short-term impact of interest rates on net interest income (NII). |
| Market risk - Foreign exchange | The centralised treasury function aggregates the foreign exchange exposure and takes prudent measures to hedge the exposure based on prevalent macroeconomic conditions. |
| Credit risk | Each investment is assessed by the investment team as well as independent risk team on the risk-return framework. The combined analysis of these teams is presented to the Investment Committee for investment decision. The risk is being partly mitigated by diversifying the lending portfolio across sectors and geographies. |

b. Accounting for cash flow hedge

The Group has taken foreign currency floating rate borrowings which are linked to LIBOR. For managing the foreign currency risk and interest rate risk arising from changes in LIBOR on such borrowings, the Group has entered into cross-currency interest rate swap (CCIRS) for the entire loan liability. The Group has designated the CCIRS (hedging instrument) and the borrowing (hedged item) into a hedging relationship and applies hedge accounting.



Piramal Finance Limited

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

30. Cash Flow Hedge Disclosure

b. Accounting for cash flow hedge (Continued)

Under the terms of the CCIRS, the Group pays interest at the fixed rate to the swap counterparty in INR and receives the floating interest payments based on LIBOR in foreign currency. As the critical terms of the hedged item and the hedging instrument (notional, interest periods, underlying and fixed rates) are matching and the interest cash flows are off-setting, an economic relationship exists between the two. This ensures that the hedging instrument and hedged item have values that generally move in the opposite direction.

The CCIRS and the borrowings for one borrowing was designated into hedging relationship on 1 October 2016 and for others on 27 October 2016 which is later than the date on which the respective contracts were entered into. The gain / loss on fair valuation of CCIRS as on the date on designation has been recognised in profit or loss under the head Other Expenses (refer schedule 22).

Following table provides quantitative information regarding the hedging instrument as on March 31, 2017:

| Type of hedge and risks | Nominal value (Liabilities) | Carrying amount of hedging instruments (included under "other current and non-current financial liabilities") (Liabilities) | Maturity date | Average contracted fixed interest rate | Changes in fair value of hedging instrument | Changes in the value of hedged item |
|---|------------------------------------|--|-----------------------|--|---|-------------------------------------|
| Cash Flow Hedge | | | | | | |
| Foreign currency and Interest rate risk | 65,000 | 3,109 | Aug 2017 to June 2018 | 9.67% | (3,606) | 3,606 |

Following table provides the effects of hedge accounting on financial performance for the year ended March 31, 2017:

| Type of hedge | Changes in the value of hedging instruments recognised in Cash flow Hedge Reserve | Amount reclassified from cash flow hedge reserve to profit or loss | Line-item affected in statement of profit or loss because of reclassification |
|--|---|--|---|
| Cash flow hedge | | | |
| Interest Rate risk and Foreign Exchange Risk | 3,606 | 1,992 (2,101) | Finance Cost Foreign Exchange (gain)/loss |

Following table provides movements in cash flow hedge reserve:

| Particulars | Amount |
|--|------------|
| As on March 31, 2016 | - |
| Changes in fair value of CCIRS | (3,606) |
| Amounts reclassified to profit or loss | 4,090 |
| As on March 31, 2017 (Refer Schedule 4) | 484 |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

31. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

Under the Micro, Small and Medium Enterprises Development Act, 2006, ('MSMED') which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. On the basis of the information and records including confirmations sought from suppliers on registration with specified authority under MSMED; no amounts relating to principal and interest were due or remained outstanding as at 31 March 2017. There have been no reported cases of delay in payments in excess of 45 days to micro, small and medium enterprises or of interest payments due to delay in such payments.

32. Contingent liabilities

| | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Claim against the Group not acknowledged as debt | | |
| Dues towards Income Tax for AY 2012-2013 | 6 | 6 |
| Dues towards Income Tax for AY 2014-2015 | 176 | - |
| Letter of Comfort issued by the Group | 1400 | - |

The Group is of the view that the above demands may not devolve on the Group and hence no provision has been made.

The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At year end the Group has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of accounts.

The Group has also reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

During the year, the Group has issued Letter of Comfort of Rs.1,400 lakhs to Keystone Realtors Pvt Ltd.

33. Provision for standard assets

A general provision at 0.35% (Previous year 0.30%) of the outstanding standard assets, has been made as prescribed by RBI vide its circular no. RBI/2014-15/299 DNBR (PD) CC No. 002/03.10.001/2014-15 dated 10 November 2014. The Group has also made additional provision at 1.65% (Previous year 1.70%) on standard assets. The rate of additional provision is based on the management estimate of future expected losses in loan portfolio. This provision has been disclosed as "Contingent provision against standard assets" in the balance sheet.

34. Employee benefits

| I. Principal actuarial assumptions | 31 March 2017 | 31 March 2016 |
|------------------------------------|---------------|---------------|
| Discount rate | 7.22% | 7.72% |
| Salary escalation rate | 9.00% | 9.00% |
| Attrition rate | 10.00% | 17.00% |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

34. Employee benefits (Continued)

| II. Change in defined benefit obligation and assets over the year ended | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| Present value of defined benefit obligation as at the beginning of the year | 42 | 18 |
| Interest cost | 3 | 1 |
| Current service cost | 12 | 3 |
| Liability transferred in | 169 | - |
| Past service cost incurred during the year | 8 | - |
| Benefit paid | (5) | - |
| Actuarial (gains) / losses on obligation | 27 | 20 |
| Present value of the benefit obligation as at the end of the current period | 363 | 42 |

| III. Amount recognised in the balance sheet | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| Fair value of plan assets at the end of the period | - | - |
| (Present value of the defined benefit obligation as at the end of the year) | (363) | (42) |
| Funded status | (363) | (42) |
| Unrecognised past service cost at the end of the year | - | - |
| Net (liability)/ asset recognised in the balance sheet | (363) | (42) |

| IV. Expense recognised in the statement of profit and loss | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Current service cost | 12 | 3 |
| Interest cost | 3 | 1 |
| Actuarial (gains) / losses | 132 | 20 |
| Past service cost recognised during the year | 8 | - |
| Expense recognised in statement of profit and loss | 155 | 24 |

| V. Movement in net (liability) recognised in the balance sheet | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Opening net liability | 42 | 18 |
| Expense as above | 155 | 24 |
| Net transfer in | 169 | - |
| (Net transfer out) | - | - |
| (Benefit paid) | (5) | - |
| (Benefit paid on account of settlement) | - | - |
| Net liability/ (asset) recognised in the balance sheet | 363 | 42 |

| VI. Experience adjustment | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| On plan liability (gains)/ losses | 105 | 21 | 6 | 1 | - |
| On plan assets (losses)/ gains | - | - | - | - | - |

35. Expenditure in Foreign currency

| Particulars | 31 March 2017 | 31 March 2016 |
|---------------------------------|---------------|---------------|
| (i) Subscription and Membership | 22 | - |
| (ii) Professional Fess | 2 | - |
| (iii) Annual Licence Fees | 299 | - |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

36. Specified Bank Notes

The details of specified Bank Notes (SBNs) held and transacted during the period 08 November 2016 to 30 December 2016 as provided in the Table below:

| Particulars | SBNs | Other denomination notes | Total |
|---|------|--------------------------|-------|
| Closing cash in hand as on 08 November 2016 | 0 | 2 | 2 |
| (+) Permitted receipts | - | 2 | 2 |
| (-) Permitted payments | - | 3 | 3 |
| (-) Amount deposited in Banks | 0 | - | 0 |
| Closing cash in hand as on 30 December 2016 | - | 1 | 1 |

37. Remuneration of Key Managerial Personnel

| Particulars | Name of Director | 31 March 2017 | 31 March 2016 |
|---|------------------|---------------|---------------|
| Gross Salary | Khushru Jijina | | |
| (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | | 40 | - |
| (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 | | - | - |
| Total | | 40 | - |

38. Corporate Social Responsibility Expenditure

| Particulars | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| Contribution to Piramal Swasthya Management and Research Institute | 704 | 1,109 |
| Contribution to Piramal Foundation for Education Leadership | 150 | 38 |
| Total | 854 | 1,147 |
| Amount required to be spent as per Section 135 of the Act | 144 | 151 |
| <i>Amount spent during the year</i> | | |
| (i) Construction/acquisition of an asset | - | - |
| (i) On purposes other than (i) above | 854 | 1,147 |

39. Details of the group's subsidiary at the end of the reporting period is as follows

| Name of the Subsidiary | Principal Activity | Place of incorporation and operation | Proportion of Ownership Interest and voting power held by the group |
|---|--------------------|--------------------------------------|---|
| Piramal Housing Finance Private Limited | Housing Finance | India | 100% |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

40. Disclosure of additional information as required by the Schedule III, as at and for the year ended March 31, 2017

| Name of the entity in the Group | Net Assets i.e total assets minus total liabilities | | Share in profit and loss | |
|---|---|----------------|--------------------------------------|---------------|
| | As % of consolidated net assets | Amount | As % of consolidated Profit and Loss | Amount |
| Parent | | | | |
| Piramal Finance Limited | 99.44% | 336,356 | 99.99% | 19,330 |
| Subsidiaries | | | | |
| Indian | | | | |
| Piramal Housing Finance Private Limited | 0.56% | 1,885 | 0.01% | 1 |
| Total | 100% | 338,241 | 100% | 19,331 |

40A The current year's figures are not comparable with the previous year figures as during the year ended March 31, 2017, the Group has incorporated a wholly owned subsidiary Piramal Housing Finance Private Limited on February 10, 2017, whose results have been consolidated above.

41 Non-Banking Financial Company disclosures

(i) Disclosures as required in terms of Annex I of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”.

| Particulars | Amount outstanding as at 31 March 2017 | Amount overdue as at 31 March 2017 | Amount outstanding as at 31 March 2016 | Amount overdue as at 31 March 2016 |
|---|--|------------------------------------|--|------------------------------------|
| Liabilities side : | | | | |
| 1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | | | | |
| (a) Debentures : Secured | 307,598 | - | - | - |
| :Unsecured | 49,177 | - | - | - |
| (other than falling within the meaning of public deposits*) | | | | |
| (b) Deferred credits | - | - | - | - |
| (c) Term loans | 741,917 | - | 13,985 | - |
| (d) Inter-corporate loans and borrowing | - | - | - | - |
| (e) Commercial Paper | 556,615 | - | - | - |
| (f) Public Deposits* | - | - | - | - |
| (g) Other loans (Unsecured) | - | - | - | - |
| * Please see Note 1 below | | | | |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

| Assets Side : | Amount outstanding as at 31st March 2017 | Amount outstanding as at 31st March 2016 |
|--|---|---|
| 2 Break-up of loans and advances including bills receivables [other than those included in (3) below:] (Amount gross of provision) | | |
| (a) Secured | 652,422 | 73,362 |
| (b) Unsecured | 100 | - |
| 3 Break up of leased assets and stock on hire and other assets counting towards AFC activities | | |
| (i) Lease assets including lease rentals under sundry debtors: | | |
| (a) Financial lease | - | - |
| (b) Operating lease | - | - |
| (ii) Stock on hire including hire charges under sundry debtors: | | |
| (a) Assets on hire | - | - |
| (b) Repossessed assets | - | - |
| (iii) Other loans counting towards AFC activities | | |
| (a) Loans where assets have been repossessed | - | - |
| (b) Loans other than (a) above | - | - |
| 4 Break-up of investments : | | |
| Current investments : | | |
| 1. Quoted : | | |
| (i) Shares : (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debentures and bonds | 21,256 | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government securities | - | - |
| (v) Others (please specify) | - | - |
| 2. Unquoted : | | |
| (i) Shares : (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debentures and bonds | 159,059 | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government securities | - | - |
| (v) Others (please specify) | - | - |
| Long term investments : | | |
| 1. Quoted : | | |
| (i) Shares : (a) Equity | - | - |
| (b) Preference | - | - |
| (ii) Debentures and bonds | 75,615 | - |
| (iii) Units of mutual funds | - | - |
| (iv) Government securities | - | - |
| (v) Others (please specify) | - | - |



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Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

| Assets Side : | Amount outstanding as at 31st March 2017 | | | Amount outstanding as at 31st March 2016 | | |
|--|--|-------------------------------------|--|---|-----------|--------|
| 2. Unquoted : | | | | | | |
| (i) Shares : (a) Equity | | | 1,500 | | | - |
| (b) Preference | | | - | | | - |
| (ii) Debentures and Bonds | | | 991,548 | | | - |
| (iii) Units of mutual funds | | | - | | | - |
| (iv) Government Securities | | | - | | | - |
| (v) Others (please specify) | | | - | | | - |
| 5 Borrower group-wise classification of assets financed as in (2) and (3) above : | | | | | | |
| Please see Note 2 below | | | | | | |
| Category (Amount net of provision) | As at 31st March 2017 | | | As at 31st March 2016 | | |
| | Secured | Unsecured | Total | Secured | Unsecured | Total |
| 1. Related Parties ** | | | | | | |
| (a) Subsidiaries | - | 100 | 100 | - | - | - |
| (b) Companies in the same group | - | - | - | - | - | - |
| (c) Other related parties | - | - | - | - | - | - |
| 2. Other than related parties | 650,776 | - | 650,776 | 71,181 | - | 71,181 |
| Total | 650,776 | 100 | 650,876 | 71,181 | - | 71,181 |
| 6 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) | | | | | | |
| Please see note 3 below | | | | | | |
| Category | As at 31st March 2017 | | As at 31st March 2016 | | | |
| | Market Value / Break up or fair value or NAV | Book Value (Net of Provision) | Market Value / Break up or fair value or NAV | Book Value (Net of Provision) | | |
| 1. Related Parties ** | | | | | | |
| (a) Subsidiaries | 1,500 | 1,500 | - | - | | |
| (b) Companies in the same group | - | - | - | - | | |
| (c) Other related parties | - | - | - | - | | |
| 2. Other than related parties | 1,247,478 | 1,247,478 | - | - | | |
| Total | 1,247,478 | 1,248,978 | - | - | | |

** As per accounting standard 18 of ICAI

| (7) Other information | Particulars | Amount as at 31 March, 2017 | Amount as at 31 March, 2016 |
|-----------------------|---|--------------------------------|--------------------------------|
| (i) | Gross non-performing assets | - | - |
| | (a) Related parties | - | - |
| | (b) Other than related parties | 8,219 | 6,290 |
| (ii) | Net non-performing assets | - | - |
| | (a) Related parties | - | - |
| | (b) Other than related parties | 6,573 | 5,449 |
| (iii) | Assets acquired in satisfaction of debt | - | - |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

Notes:

- 1 As defined in point xix of paragraph 3 of Chapter -2 of these Directions.
 - 2 Provisioning norms shall be applicable as prescribed in these Directions.
 - 3 Market value/break up or fair value or NAV is taken as same as book value in case of unquoted investments and quoted investments in absence of market value / break up or fair value or NAV.
- (ii) Disclosures as required in terms of Annex XII of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”.

Capital to risk- assets ratio ('CRAR')

| Items | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| (i) CRAR (%) | 20.59% | 70.85% |
| (ii) CRAR – Tier I capital (%) | 16.75% | 69.32% |
| (iii) CRAR – Tier II capital (%) | 3.84% | 1.53% |
| (iv) Amount of subordinated debt raised as Tier-II capital | 50,000 | - |
| (v) Amount raised by issue of Perpetual Debt Instruments | - | - |

Investments

| Items | 31 March 2017 | 31 March 2016 |
|---|---------------|---------------|
| 1. Value of Investments | | |
| (i) Gross value of investments | | |
| (a) In India | 1,248,978 | - |
| (ii) Provisions for depreciation | | |
| (a) In India | - | - |
| (iii) Net Value of investments | | |
| (a) In India | 1,248,978 | - |
| 2. Movement of provisions held towards depreciation on investments | | |
| (i) Opening Balance | - | - |
| (ii) Add: Provisions made during the year | - | - |
| (iii) Less: write off / write back of excess provisions during the year | - | - |
| (iv) Closing Balance | - | - |

Forward Rate Agreement / Interest Rate Swap

| Sr. No. | Particulars | 31 March 2017 | 31 March 2016 |
|---------|---|---------------|---------------|
| (i) | The notional principal of swap agreements | 65,000 | - |
| (ii) | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | - | - |
| (iii) | Collateral required by the applicable NBFC upon entering into swaps | - | - |
| (iv) | Concentration of credit risk arising from the swaps | - | - |
| (v) | The fair value of the swap book | 62,898 | - |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

Risk Exposure in Derivatives

| Sl. No. | Particular | Currency Derivatives | Interest Rate Derivatives |
|---------|---|----------------------|---------------------------|
| (i) | Derivatives (Notional Principal Amount) | | |
| | For hedging | 65,000 | - |
| (ii) | Marked to Market Positions [1] | | |
| a) | Asset (+) | - | - |
| b) | Liability (-) | 3,109 | - |
| (iii) | Credit Exposure [2] | 65,000 | - |
| (iv) | Unhedged Exposures | - | - |

Maturity pattern of certain items of assets and liabilities

| | 1 day to 30/31 days | Over one month to 2 months | Over 2 months upto 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 | Total |
|--|---------------------|----------------------------|-----------------------------|---------------------------|-------------------------|------------------------|-------------------------|--------------|-----------|
| Liabilities | | | | | | | | | |
| Borrowings- from banks (current year) | 5,293 | - | 54,242 | 14,941 | 7,997 | 480,831 | 494 | - | 563,795 |
| Borrowings from banks (previous year) | (313) | (-) | (-) | (3,312) | (5,125) | (2,750) | (2,375) | (-) | (13,875) |
| Market borrowings (current year) | 87,197 | 243,240 | 166,956 | 78,954 | 106,292 | 276,170 | 20,011 | 49,680 | 1,028,500 |
| Market borrowings (previous year) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| Foreign Currency Liabilities (current year) | - | - | - | - | 14,629 | - | 48,383 | - | 63,012 |
| Foreign Currency Liabilities (previous year) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| Assets | | | | | | | | | |
| Advances (current year) | 3,339 | 786 | 8,674 | 13,342 | 34,562 | 269,433 | 234,426 | 88,366 | 652,928 |
| Advances (previous year) | (435) | (996) | (2,315) | (7,556) | (8,265) | (34,111) | (19,177) | (2,634) | (75,489) |
| Investments (current year) | 25,572 | 3,549 | 14,483 | 27,241 | 109,471 | 688,782 | 342,965 | 36,915 | 1,248,978 |
| Investments (previous year) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |

Note: Amount shown in the tables are gross figures without netting off the provision



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

Exposures to real estate sector

| Category | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
| (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; Individual housing loans upto Rs. 15 lakh may be shown separately) | - | - |
| (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 | 1,664,488 | 53,712 |
| (iii) Investments in mortgage backed securities (MBS) and other securitised exposures- | | |
| a. Residential | - | - |
| b. Commercial real estate | - | - |
| (b) Indirect exposures Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs.) | 1,500 | - |

- (iii) Additional disclosures as required in terms of Annex XII of Master Direction – “Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016”

Provisions and Contingencies

| Break up of 'Provisions and Contingencies shown in Profit and Loss Account | 31 March 17 | 31 March 16 |
|--|-------------|-------------|
| Provisions for depreciation on investment | - | - |
| Provision towards NPA | 805 | (55) |
| Provision made towards Income tax | 9905 | 2,004 |
| Provision for standard assets | 36,124 | 240 |

Concentration of advances

| Particulars | 31 March 17 | 31 March 16 |
|--|-------------|-------------|
| Total advances to 20 largest borrowers* | 546,346 | 71,299 |
| Percentage of advances to 20 largest borrowers to total advances | 28.76% | 97.19% |

*includes loan and investments

Concentration of exposures

| Particulars | 31 March 17 | 31 March 16 |
|---|-------------|-------------|
| Total Exposure to 20 largest borrowers* | 549,470 | 88,955 |
| Percentage of exposures to 20 largest borrowers to total exposure | 28.56% | 97.37% |

*includes loan, investments, capital commitment and letter of comfort



Piramal Finance Limited

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

Exposure to Capital Market

| | Particulars | 31 March 2017 | 31 March 2016 |
|--------|---|---------------|---------------|
| (i) | direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; | - | - |
| (ii) | advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds; | - | - |
| (iii) | advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security; | 57,912 | - |
| (iv) | advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances; | - | - |
| (v) | secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; | - | - |
| (vi) | loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources; | 20,989 | - |
| (vii) | bridge loans to companies against expected equity flows / issues; | - | - |
| (viii) | all exposures to Venture Capital Funds (both registered and unregistered) | - | - |
| | Total Exposure to Capital Market | 78,901 | - |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued) for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

Concentrations of NPA

| Particulars | 31 March 17 | 31 March 16 |
|-----------------------------------|-------------|-------------|
| Total Exposure top 4 NPA accounts | 8,219 | 6,290 |

Sector wise NPAs

| Sr. No. | Sector | Percentage of NPAs to total advances in that sector | |
|---------|---------------------------------|---|-----------|
| | | 31-Mar-17 | 31-Mar-16 |
| 1 | Agriculture & allied activities | 0% | 0% |
| 2 | MSME | 0% | 0% |
| 3 | Corporate borrowers | 0% | 0% |
| | A Real Estate | 0% | 3.93% |
| | B Education | 57.90% | 32.64% |
| 4 | Services | 0% | 0% |
| 5 | Unsecured personal loans | 0% | 0% |
| 6 | Auto loans | 0% | 0% |
| 7 | Other personal loans | 0% | 0% |

Movement of NPAs

| Particulars | 31 March 17 | 31 March 16 |
|--|-------------|-------------|
| (i) Net NPA to net advances (%) | 0.35% | 7.66% |
| (ii) Movement of NPAs (Gross) | | |
| (a) Opening balance | 6,290 | 8,954 |
| (b) Additions during the year | 4,100 | - |
| Subtotal (1) | 10,390 | 8,954 |
| (c) Reductions during the year due to recoveries | (2,171) | (2,664) |
| Subtotal (2) | (2,171) | (2,664) |
| (d) Closing balance (1-2) | 8,219 | 6,290 |
| (iii) Movement of NPAs (Net) | | |
| (a) Opening balance | 5,449 | 8,058 |
| (b) Additions during the year | 3690 | - |
| (c) Reductions during the year | (2,566) | (2,609) |
| (d) Closing balance | 6,573 | 5,449 |
| (iv) Movement of provisions for NPAs (excluding provision on standard asset) | | |
| (a) Opening Balance | 840 | 895 |
| (b) Additions during the year | 1234 | 354 |
| Subtotal (1) | 2074 | 1249 |
| (c) Reductions during the year | | |
| Write back of excess provision on account of reduction in NPAs | (428) | (409) |
| Subtotal (2) | (428) | (409) |
| (d) Closing balance (1-2) | 1,646 | 840 |



Piramal Finance Limited

Notes to the consolidated financial statements (Continued)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (Continued)

(iv) Draw Down from Reserves

There is no drawdown of reserves during the year ended March 31, 2017.

(v) Registration/ licence/ authorisation obtained from other financial sectors regulators-

The Company has not obtained any registration/licence/authorization from any financial sector regulator other than Reserve Bank of India.

(vi) Rating assigned by credit rating agencies and migration of rating during the year

Credit ratings assigned to the borrowings of the Company are as under

| Nature of Borrowings | Rating Agency | Ratings Assigned |
|----------------------|---------------|------------------|
| NCD | ICRA Limited | [ICRA]AA |
| Commercial Paper | ICRA Limited | [ICRA]A1+ |

There has been no migration of ratings during the year ended 31 March 2017.

(vii) Penalties/fines imposed by RBI and other banking regulatory bodies

No penalty was imposed by RBI or any other banking regulatory bodies during the year ended 31 March 2017.

(viii) Area, Country of operation & Joint Venture Partners with regard to joint ventures and overseas subsidiaries.-

The Company does not have any joint ventures and overseas subsidiaries.

(ix) Extent of financing of parent company product

The Company has not financed any parent company product.

(x) Details of off-balance sheet SPV's sponsored

The Company does not have any off- balance sheet SPV's sponsored.

(xi) Disclosure of Complaints

There are no customer complaints received during the year.

(xii) Structured product issued

The Company has not issued any structured product during the year ended 31 March 2017

(xiii) Securitisation/ assignment transactions

The Company had not entered into any securitization / assignment transaction during the year ended 31 March 2017.

(xiv) The Company has not purchased/ sold any non-performing financial assets during the year ended 31 March 2017.



Piramal Finance Limited

Notes to the consolidated financial statements (*Continued*)

for the year ended 31 March 2017

(Currency: Rs. in lakhs)

41 Non-Banking Financial Company disclosures (*Continued*)

- (xv) The Company has not exceeded the applicable SBL/GBL during the year ended 31 March 2017.
- (xvi) The Company has not taken any Exchange Traded Interest Rate (IR) Derivatives during the year ended 31 March 2017.

As per our report of even date attached.

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

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Manoj Kumar Vijai

Partner

Membership No: 046882

Mumbai

Date: May 10, 2017

For and on behalf of the Board of Directors of
Piramal Finance Limited



Khushru Jijina

Managing Director



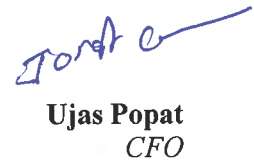
Ajay Piramal

Director



Ankit Singh

Company Secretary



Ujas Popat

CFO