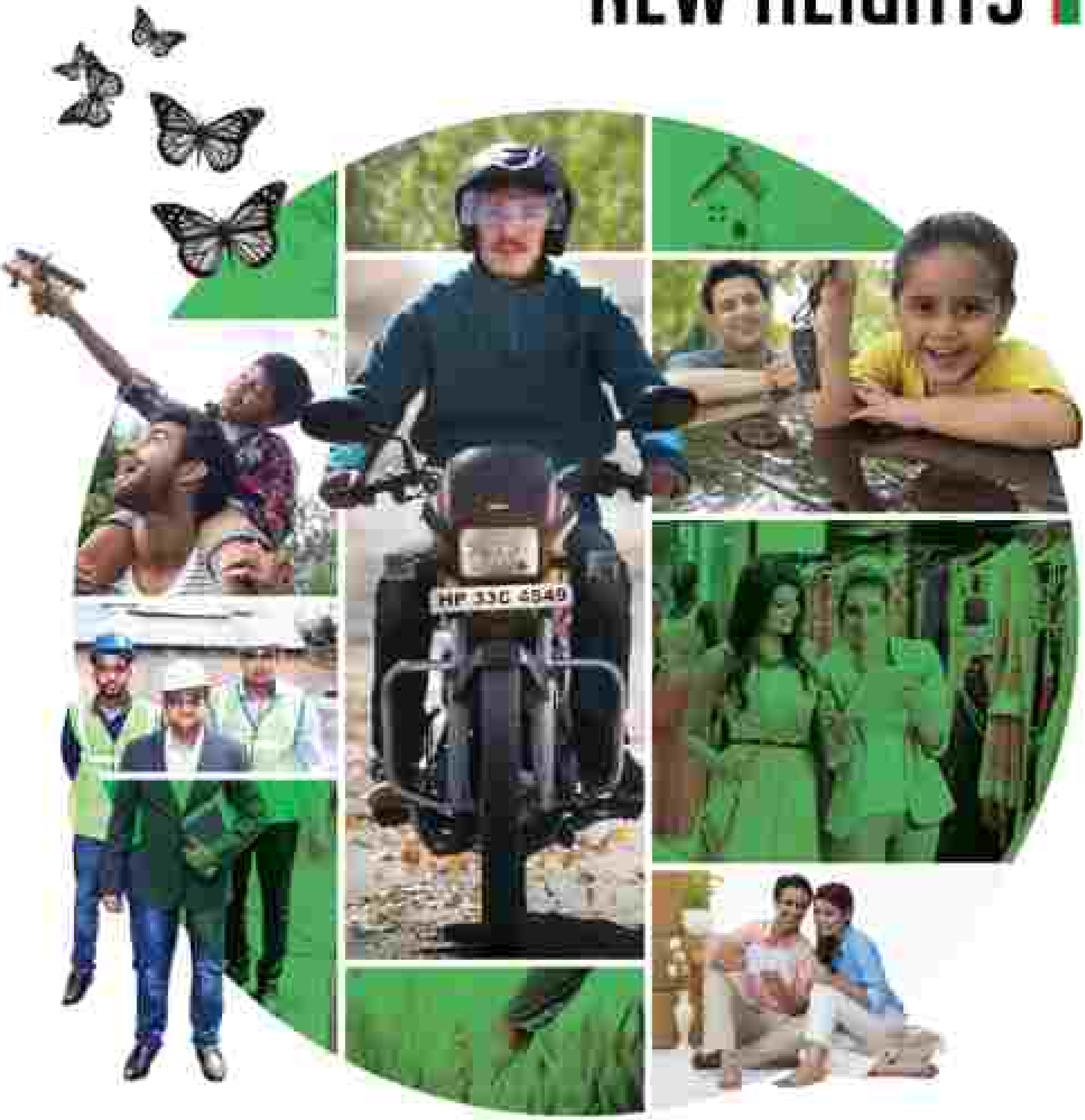
HeroFinCorp.

SCALING NEW HEIGHTS



28th Annual Report 2018-19

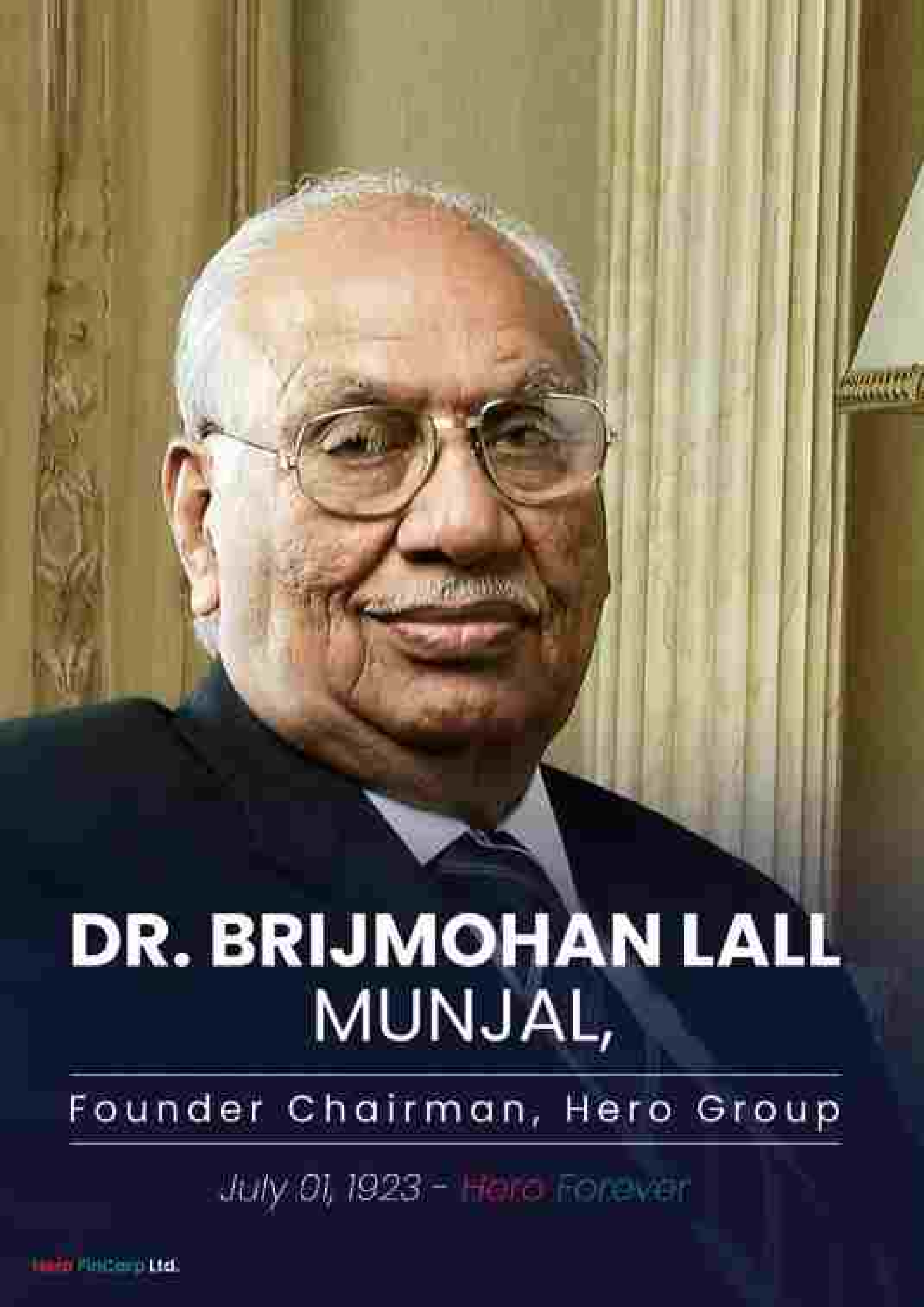
Hero FinCorp Limited

> Live as if you were to die tomorrow. Learn as if you were to live forever.

- MAHATMA GANDHI

CONTENTS

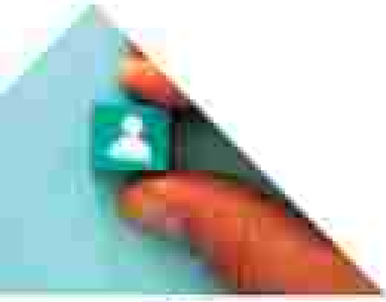

NTS


DR. BRIJMOHAN LALL
MUNJAL,
Founder Chairman, Hero Group
July 01, 1923 - Hero Forever
Hero FinCorp Ltd.

Our Tribute

"You continue to inspire us in more ways than one..."

KEY HIGHLIGHTS



3.5 Million
Lives Impacted

Focus on Financial Inclusion:

70%
of our customers are new to credit

Over 3 Lakh
Loan Application Processing Capability per month

Disbursing a loan every

10 seconds

*Gross AUM as at March 31, 2019

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

The Hero Group is guided by the principles of social impact, scale, and the highest degree of corporate governance and ethics. The organization, and the people who work here, are known for trust and reliability and I am proud of the fact that Hero FinCorp has embedded these principles in its value system. In a very short span of time, Hero FinCorp has become a large and formidable player in India's Financial Services landscape.

On the economic front, the country has seen a tough time over the past few quarters, during which the overall financial system faced challenges of low liquidity and an asset-liability mismatch. These concerns negatively impacted several non-banking players, forcing them to significantly scale down their operations, thereby leaving a large void in the market. Even as this phase had been tough for many, we at Hero FinCorp have benefitted from the increased lending opportunities and disbursed fresh loans in record numbers. We have also been successful in raising funds through multiple sources and continue a healthy growth trajectory.

Going forward, the Financial Services sector will undergo significant transformation. Companies operating in this realm are already making efforts to fulfil a broad range of customer needs across retail and corporate segments for maximizing their return and diversifying risks over a much broader pool. I firmly believe that your company is well equipped to take advantage of these sectoral shifts as it serves customers across the pyramid. Our loans portfolio covers a wide ticket size, ranging from a few thousand rupees for the retail borrower to more than a hundred crore rupees for the structured finance clients. This makes us fully adept at handling very distinct customer segments and unlocking potential synergies across the value chain. We aim to serve all financial needs of our customers throughout their credit lifecycle.

You would be happy to note that in FY'19, your company has made significant strides in other areas as well. We disbursed loans close to INR 13,000/- crore, and our total Assets Under Management (AUM) almost touched INR 20,000/- crore. We further expanded our distribution capabilities and have established presence at over 3,100 touch points spread across more than 1,700 cities, towns and villages, and have a dedicated team of over 5,000 people. During the past two years, we have also been recognized as a Great Place to Work, and in FY'19 we have soared higher to be a part of India's top 100 companies and the top 20 BFSI companies to work for.

We firmly believe that long-term sustainable success depends upon collective progress and the success of people that we serve. In FY'19, about 70% of our retail customers were new-to-credit or first time borrowers. Their loans with Hero FinCorp were their first foray into the world of formal financial services. We are proud to say that we are actively driving the Indian Government's agenda of Financial inclusion while creating value for all stakeholders.

With such large numbers and a tremendous growth record, we are now actively serving the financial needs of our society, and building a brighter and more inclusive India. I am confident that at this pace, it is only a matter of time before we become one of India's largest Financial Services Institutions.

We have also bolstered our flagship Corporate Social Responsibility (CSR) Program called Dhan Charcha. In FY'19, the program touched over 55,000 lives across the states of Haryana, Rajasthan, Uttar Pradesh, and Madhya Pradesh. During the year, we launched another CSR initiative called 'Saarthi', enabling Hero FinCorp employees a chance to give back to society by volunteering as career guides and helping empower students.

Keeping aside the challenges faced in recent quarters, we continue to remain optimistic about the medium to long-term potential of India's economy, and will work hard towards building Hero FinCorp into one of the most respected Financial Services Institutions in the country.

On this note, I would like to thank our customers, investors, stakeholders, employees and all our associates for their continued support and belief in Brand Hero, and would like to present to you our Annual Report for the Financial Year 2018-19.

Sincerely,

PAWAN MUNJAL

Chairman, Hero FinCorp Ltd.

JT. MD & CEO'S MESSAGE

DEAR SHAREHOLDERS,

We are living in a world where the only constant is change. We at Hero FinCorp have consciously chosen to embrace these changes. We are using the environmental changes to become stronger, more resilient, and more adept at serving the needs of all our target customer segments.

Over the past six to eight months the financial system has been facing challenges of low liquidity and asset-liability mismatch. NBFCs and HFCs have been particularly hit. In the future, several regulatory and compliance changes will alter how the industry operates. Most of these changes will help make the sector better regulated, stronger, and will also help strengthen the financial position of players.

We at Hero FinCorp have been fortunate and continued to gain market share across segments by disbursing more than our typical monthly averages. This past year, has been another year that witnessed leading growth rates at Hero FinCorp.

Now, I would like to share some numbers. During the year, your Company disbursed loans amounting to INR 12,756 crores, as compared to INR 9,037 crores in fiscal 2018, representing a growth of 41%. Backed by strong disbursement growth, the Assets under Management (AUM) grew to INR 19,736 crores as on March 31, 2019. The Profit After Tax (PAT) grew by 84% from INR 146 crores in FY18 to 268 crores in FY19. The Company's Gross Non Performing Assets (GNPA %) stood at 4.5% as of March 31, 2019.

In terms of distribution, we continue to grow and maintain one of the largest networks in the country. We are active through 3,100+ touch-points, spread across 1,700+ Cities, Towns, and Villages, along with a dedicated team of over 5,000 individuals.

I am also happy to share that Hero FinCorp has been certified as a "Great Place to Work" for the 2nd year in a row. This year we have performed better than last year and are now part of India's Top 100 companies and the Top 20 BFSI Companies to work for. It is often said that "Excellence is not a skill, it's an attitude" and at Hero FinCorp, we aim to excel in all our endeavors. Having received this certification twice in a row, is testimony to the strength of our Values, Principles, Workplace Culture, and most importantly, it is a stamp of over 5,000 Heroes who have voted their company as a "Great Place to Work".

On the whole, the year 2018-19 has been a transformative one for us at Hero FinCorp. In these 12 months, we have covered significant ground and have also laid the foundation for a solid, stable and promising future. Key highlights from the year gone by include:

- The launch and scale-up of new lines of business.
- Strengthening our governance, monitoring, and legal machinery.
- We made significant investments in IT infrastructure, and deployed Sale Force based sourcing for our Retail, SME & Housing Business lines.
- Improved customer service through an enhanced tech platform which would help improve the experience and effectiveness.
- We continued to nurture and develop our most prized asset of all – Human Capital; this year also we sent some of our top most talent to some of the best business schools in the world.

I am excited & extremely positive about our future as an organization and our role in India's Financial Services Sector. We have delivered a strong performance and have made significant achievements in FY19. We will continue to work hard and strive to achieve pole position in all our lines of business.

Lastly, and most importantly, I would like to thank all our stakeholders, including Regulator, Government, Investors, Customers and our Employees for their continued support and trust in us.

With best wishes,

ABHIMANYU MUNJAL

Jt. MD & CEO, Hero FinCorp Ltd.

VISION

To be a financier of choice and become a one-stop financial services company, by offering world class products through innovation & teamwork.

MISSION

We strive to be the best, most transparent, next-gen, ultra lean, credit champion.

VALUES

Our culture manifests through 5 core values - **'TITHI'**
Teamwork | Integrity | Trust & Respect | Humility | Innovation & Speed

OUR KEY PRINCIPLES

Mrs. Renu Munjal

Mrs. Renu Munjal is the Managing Director of Hero FinCorp Ltd., she is also actively involved in various philanthropic activities across the Hero Group

Mr. Pawan Munjal

Mr. Pawan Munjal is the Chairman & Director of Hero FinCorp Ltd., he also serves on the Boards of various Hero Group Companies, Governmental & Educational institutions

Mr. D.N. Davar

Mr. D.N. Davar holds a Masters in Economics and CAIIB besides being a fellow of the Economic Development Institute of the World Bank

Mr. Abhimanyu Munjal

Mr. Abhimanyu Munjal has over 15 years of experience in Strategic Leadership and People Management. He has successfully spearheaded international JVs, M&As & complex transformations.

Mr. Sanjay Kukreja

Mr. Sanjay Kukreja is the MD of ChrysCapital, and leads the Business Services, Financial Services and Manufacturing sectors for the firm. He holds an M.B.A. from IIM, Bangalore and a BA in Economics from SRCC, Delhi University.

Mr. Pradeep Dinodia

Mr. Pradeep Dinodia is a member of The ICAI, and a senior partner in the Delhi-based Chartered Accountancy firm M/s. S.R. Dinodia & Co.

BOARD OF DIRECTORS

HERO FINCORP CSR REPORT 2018–19

> **We must give back to the society from whose resources we generate wealth**
>
> – **DR. BRIJMOHAN LALL MUNJAL,**
> Founder Chairman, Hero Group

OUR PHILOSOPHY

We at Hero FinCorp believe that a company's performance must be measured by its contribution to building economic, social and environmental capital.

Hero FinCorp believes that in the strategic context of business, enterprises possess, beyond mere financial resources, the transformational capacity to create game-changing development models by unleashing their power of entrepreneurial vitality, innovation and creativity.

We aim to reach out to every corner of our country with the hope and promise of a better tomorrow.

In line with this belief, the Company continues to support unique models to generate livelihoods and create a better society.

Our initiatives revolve around connecting communities for transformative change, inspiring actions to create social impact and mobilizing and providing resources to change makers.

MESSAGE BY Jt. MD & CEO

Responsibility is an integral part of Hero group's business philosophy and we have always remained committed to it. We aim to build and sustain a culture of care through our initiatives, and believe that businesses can be an enabling force for social advancement.

Through Hero FinCorp we aim to create sustainable value for the community at large and build the nation of our dreams. Corporate Social We focus on being a responsible lender by fostering holistic development of the community and our operating Environment.

All our CSR interventions have been designed to serve the masses. Given our approach and objectives, our CSR initiatives have been developed around four broad areas: Financial Literacy, Skilling, Sustainability & Environment, Aiding rural economy and it's stakeholders and Women & Children Support and Empowerment.

DhanCharcha

FINANCIAL LITERACY CAMPAIGN

A Hero FinCorp CSR initiative

A Financial Literacy Campaign for Rural Sector

The objective of Hero FinCorp Financial Literacy campaign is to create awareness and educate people about banking facilities, financial services, digital services, loans, insurance and various govt schemes and their benefits for the prosperity of people thus making them financially literate.

CAMPAIGN STRATEGY

We appropriately named the campaign "DhanCharcha" and came with an idea of employing a mobile van fitted with a screen to showcase an animated audio-visual film to the people.

We conceptualized, scripted and produced the complete animated script of 45 minutes. The film was comprised of animal characters which together built a story to teach financial literacy.

To let the people use the information in their favor during day to day grinds, we also suggested and designed merchandises like pen, expense diary, detailed pocket booklet on financial literacy etc. to be distributed at every place the event would take place.

We created a mascot for the campaign and named it "Chacha Samjhdaar" for people to have a better recall value of the event. We designed creatives for the van and every suitable space to be displayed during the event.

We also created various musical jingles about various topic of financial literacy to engage the audience well.

THE DELIVERY CHANNELS FOR IMPLEMENTATION OF FINANCIAL LITERACY ADOPTED ARE:

School and College

Villages and Gramin Mela

IMPACT

During the year 55,000+ people in 875 sessions in 500+ locations at villages, schools, colleges, factories & mela's were reached through our flagship van running in rural areas of Gurgaon and Rewari districts. Another 4 vans were added during the year at Meerut in UP, Mewat in Haryana, Alwar in Rajasthan and Dhar in MP. These vans are expected to touch another 2 lacs plus people in close to 3000+ sessions, in 2000+ locations.

- 1/10 people are following back to get more information about opening a bank account.
- 5/15 people are getting benefit after using the expense book given to all attendee.

CASE STORIES :

- **Netrpal**

  From Turkiawas, Dharuhera after hearing about the Suraksha Bima Vojna at the Dhancharcha session enrolled for the same and now his family feels secured.

- **Kumari Prema, Smt. Abha and Smt. Rajinder**

  at a Dhancharcha Session.

  They have applied for Sukanya Samridhi Yojna. After applying for the Yojna, they feel more confident about the future of their daughters.

The campaign helped Mrs. Meena from Bhora Khurd Village realize that taking a loan from a bank instead of money lender is so much hassle-free. Furthermore, she has also opened a deposit account for herself under Pradhan Mantri Surakshya Bima Yojna.

Mr. Harish from Mau, has applied for Sukanya samridhi yogana after attending our seminar.

HeroFinCorp. saarthi

BE A GUIDING LIGHT

Career Counselling initiative for Under-privileged students

Career Counselling is a process that helps students to know and understand themselves and the world of work in order to make career, educational and life decisions Career development is more than just deciding on a major and what job they want to get when they graduate. In India many schools don't have facilities or resources to provide appropriate career counselling to their students.

Since most of the students come from underprivileged families they do not get access to private career counselling agencies. To fill this gap and help underprivileged students, Hero FinCorp along with Raman Kant Munjal Foundation, in partnership with I Dream Career (IDC) launched a project named Saarthi, wherein the Hero FinCorp employees would offer their services as career counselling volunteers.

The construct of the program is to ensure that once trained the volunteer shall adopt 1 or 2 schools in their respective districts and conduct career guidance program for class 10th and 12th students. The primary responsibility of the volunteers include :

- Career Awareness workshop (2 hours)
- Career Assessment Test (online or offline)

Students Dashboard is provided to all the students :

Online career dashboard access has been provided to every student in which every student will get access to the following for 1 year:

Career assessment & report

Information on 455 careers 7,000+ colleges and 1,80,000 programs Information on 980+ Entrance Exams (Email/SMS Alert) Information on 950+ Scholarships (Email/SMS Alert) Chat support for 6 months.

Impact

The program aims to reach out to 25,000 students which will be achieved through a combination of employee participation and other trained counsellors.

HeroFinCorp. HUNAR
BUILDING CAPABLE YOUTH

Skilling the youth in financial courses to instil economic security, stability and holistic development.

Hero FinCorp under its CSR initiative – '**Hunar**' has launched skill centers in Delhi NCR in collaboration with Raman Kant Munjal Foundation & NSDC with a vision to skill youth in various financial job roles.

OBJECTIVE OF THIS PROGRAM ARE:

- To develop a high-quality skilled workforce and spirit of entrepreneurship and to ensure placements.
- To provide livelihood opportunities through skill enhancement and vocational training.
- To add value by way of soft skills and personality development towards preparedness for the job markets.
- To create opportunities for all to acquire Skills throughout life, and especially for youth, women and disadvantaged groups.
- To impart skill training to the youth in Delhi NCR, through National Skill Development Corporation (NSDC) certified training center.

SECTOR FOCUS & JOB ROLES
Banking, Financial Services and Insurance

SECTOR	JOB ROLE
BFSI	Loan Processing Officer
BFSI	Debt Recovery Officer
BFSI	Business Analyst

EXPECTED KEY OUTCOMES AND HIGHLIGHTS
Post completion of trainings, assessment and certification a candidate is expected to be well verse with sector specific learning along with his/her personality development. The project will also focus on inclusion of women, BPL and minorities candidates.


Inauguration of the Hunar Center

Improved Learning · Personality Development · Increased Employability · Empowerment of Weaker Sections

IMPACT :
Number of trainee target:
450 + youth
Center Location: **Faridabad**

- Number of trades/ job roles/ courses:
- Three trades as per the National Skill Qualification Framework
- Proposed placement: 70% of the certified candidates.

raman kant munjal SCHOLARSHIPS

Objective is to identify & offer scholarships to underprivileged talented students across India taking admission in colleges / institutions of repute for higher / vocational education and are aspiring to specialize in various financial courses under Hero FinCorp CSR initiative and is implemented by Raman Kant Munjal Foundation and IDC. These Scholarships will be awarded to the students willing to pursue 3 year courses like BBA / BFIA / Bcom /BMS / BBM (UG –Professional) from reputed colleges across India and 1 year Vocational courses like Finance executive

SCHOLARSHIP PROGRAM MANAGEMENT

- 1st Level Short listing is done basis Minimum Eligibility criteria.
- 2nd Level Short listing is done basis the psychometric assessment test.
- 3rd Level Short listing is done basis Essay Form submission.
- 4th Level Short listing is done basis Telephonic round of interview.
- 5th Level Short listing is done basis documents submitted and college acceptance letter.
- Final Level Short listing is done basis Telephonic or face to face interview by Hero FinCorp Human Resources team and Leadership Team
- Scholar's progress to be tracked during the duration of the scholarship provided

NATIONAL ATHLETICS CHAMPIONSHIP FOR BLIND

Hero FinCorp supported National Athletics Championship organised by Indian Blind Sports Association at Thyagaraj Stadium on the 13th of December. This was a unique event where over 750 visually differently-abled sportspersons participated. This Championship not only provided the differently-abled a national level platform to exhibit their talent but also an opportunity for us to witness them dole out some spectacular performances.

Hero FinCorp team actively participated in the overall organization of the event, assisted the participants in the sporting arena, encouraged fair play, and motivated the participants to give it their best shot. The participants too displayed a great level of trust and belief in volunteers from HeroFincorp. The event was also attended by our Leadership team members who felicitated the winners.

HERO FINCORP AND HERO HOUSING PARTICIPATE IN CANCER SCREENING CAMP

Our Organization has been built and grown by a combination of our achievements, hard work and a commitment to our society. We aspire to remain close to our roots and we believe in contributing our bit to community and its upliftment.

In light of the thought above, **Hero FinCorp and Hero Housing** partnered with **CII and Yuvraj Singh Foundation**. Employees from both the organizations actively volunteered in a **Cancer Screening Camp** organized on the **24th of January in Sarita Vihar, New Delhi**. The volunteers helped in the registration of patients, motivating and counseling women for Breast Cancer Screening, conducting a health survey at the site and spreading awareness amongst women and kids on HPV vaccine.

INSTALLATION OF TATA EDGE SMART CLASSES AT RAMAN KANT MUNJAL VIDYA MANDIR

In the FY 18-19 the Hero FinCorp installed Tata edge classes at Raman Kant Munjal Vidya Mandir. This was a step in the direction of providing students with state of the art infrastructure and facilities. The use of technology to impart education in classrooms has revolutionized how students grasp and learn.

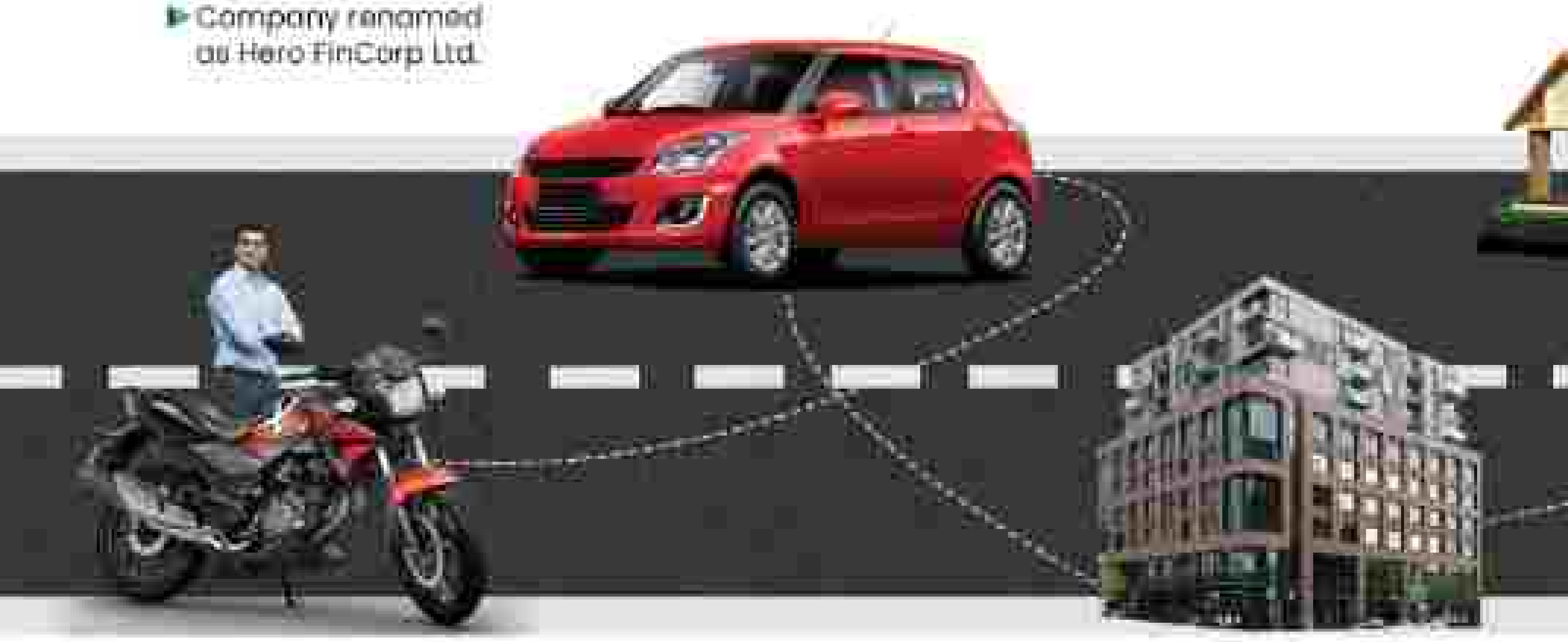
This initiative was very well received by the children and they say that it has made their learning more interactive and engaging.

1991–2012

- Incorporated as Hero Honda Finlease Ltd.
- Financed captive needs of the Hero Ecosystem
- Company renamed as Hero FinCorp Ltd.

2013

- Business plan created for the new entity
- Equity infusion of ₹106 Cr



2016

- Equity infusion of ₹407 Cr.
- Launched Loyalty Loan Programme
- First Mass Marketing Campaign 'Karo kwabon Se Ishq' launched across TV, Radio & Digital Platforms
- Assets Under Management reaches ₹6,407 Cr

2017

- Launched used car finance business
- Fund raising agreement of ₹1,002 Cr from PE investors & Promoters
- Capitalized Hero Housing Finance Ltd. by ₹50 Cr
- Assets Under Management reaches ₹9,312 Cr
- Obtained ISO certification for Operations and related Customer Support

2014

- Launched Two Wheeler Financing business
- Assets Under Management reaches ₹1,123 Cr

2015

- Launched Corporate Finance Division
- Equity infusion of ₹312 Cr
- Assets Under Management reaches ₹3,073 Cr

2018

- Launched Hero Housing Finance Ltd.
- Asset Under Management reach 13,540 Cr.
- Crossed 2.5 Mn happy customers

2019

- Established presence at over 3,100 touch points spread across 1,700+ locations
- Assets Under Management reach ₹19,736 Cr.*
- Crossed 3.5 Mn Happy Customers

*Gross AUM as of March 31, 2019

OUR JOURNEY

GROWTH AT A GLANCE

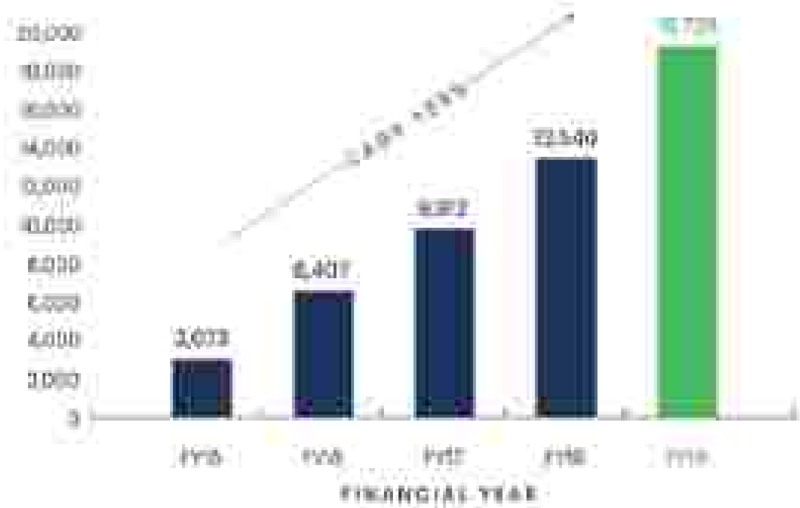
DISBURSEMENTS (INR CRORES)

LOAN ASSETS MIX (%, INR CRORES)

Note

FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and FY 15 to FY 17 Numbers are as per I GAAP

LOAN ASSETS* (INR CRORES)



*Includes lease portfolio and trade receivable

BORROWING MIX (%, INR CRORES)

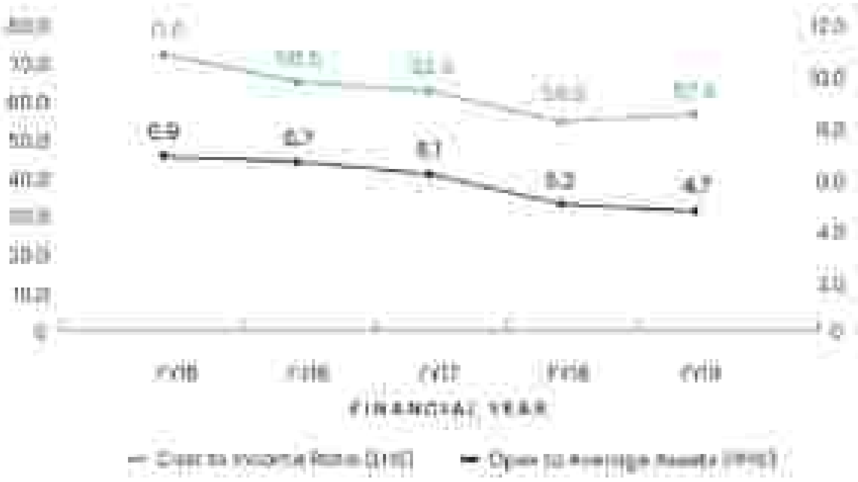
Note

FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and FY 15 to FY 17 Numbers are as per I GAAP

LOAN ASSETS, GROSS NPA, GROSS NPA TO LOAN ASSETS (%)

* Gross NPA for FY15, FY16 & FY17 has been recasted to 90 DPD

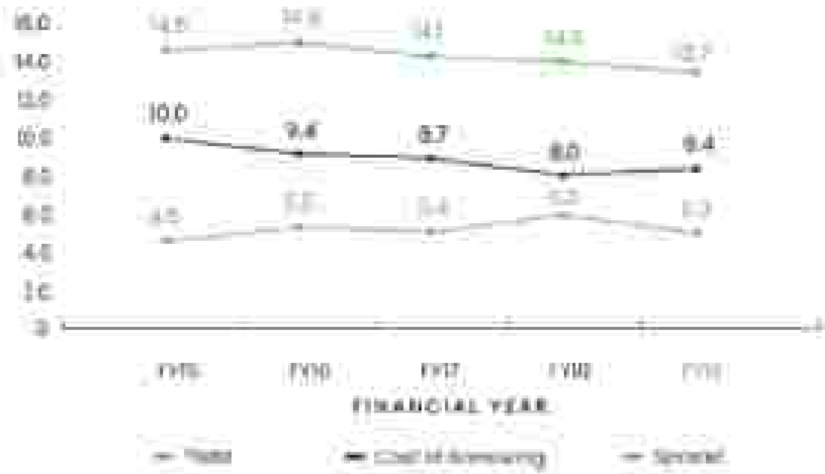
COST TO INCOME RATIO (%) & OPEX TO AVERAGE ASSETS



*Cost = Total Operating Expenses (Expenses excluding Finance Cost, impairment allowance, settlement loss and bad debts written off)
** Income = Total income net of Finance Cost
^ Average Monthly Assets

Note
FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and
FY 15 to FY 17 Numbers are as per I GAAP

YIELD, COST OF BORROWING AND SPREAD (%)



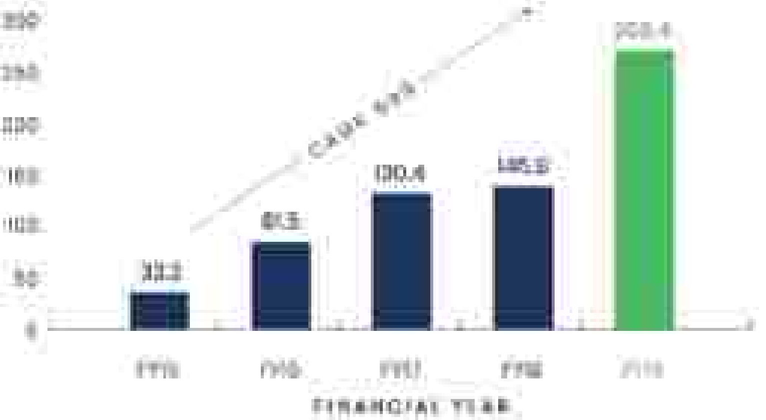
*Yield and cost of borrowing are calculated on monthly average

CREDIT COST TO AVERAGE ASSETS

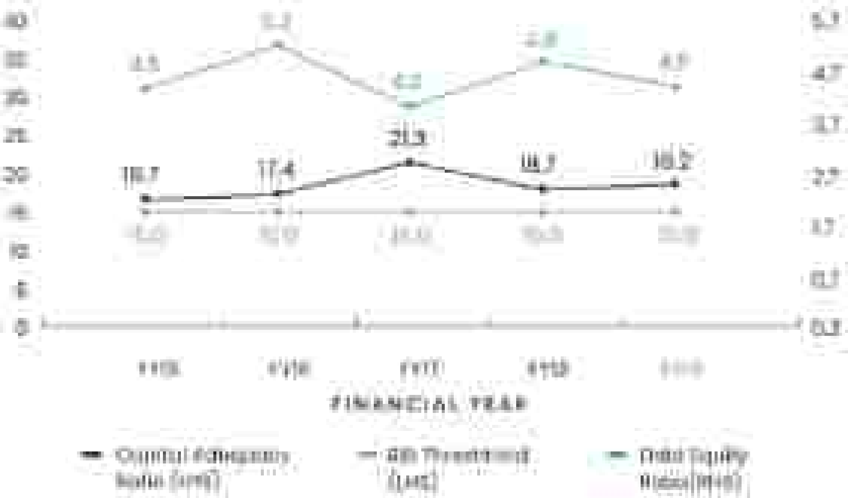
*Credit cost = Impairment allowance, settlement loss and bad debts written off / Average Monthly assets

Note
FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and FY 15 to FY 17 Numbers are as per I GAAP

PROFIT AFTER TAX (INR CRORES)



CAPITAL ADEQUACY RATIO & DEBT EQUITY RATIO

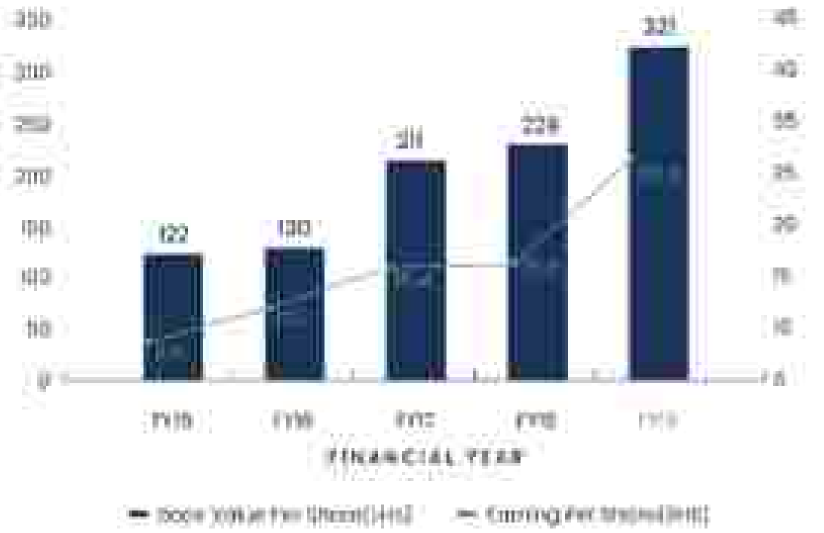


Note
FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and FY 15 to FY 17 Numbers are as per I GAAP

RETURN ON EQUITY (ROE) & RETURN ON ASSETS (ROA) (%)

* ROE and ROA are calculated on monthly average

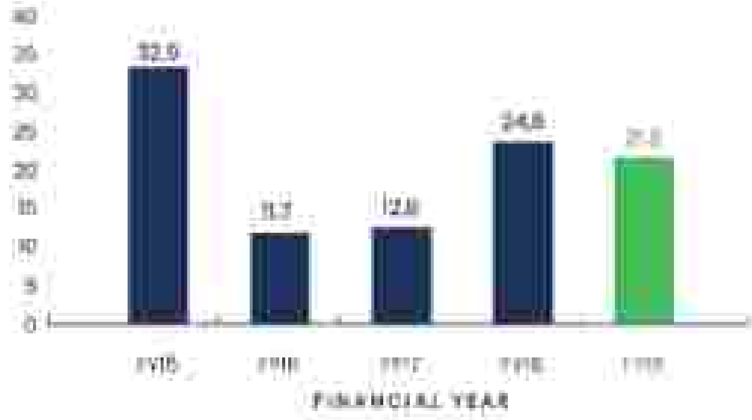
BOOK VALUE PER SHARE & EARNING PER SHARE



Note:
FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and
FY 15 to FY 17 Numbers are as per I GAAP

EMPLOYEE HEAD COUNT

DIVIDEND PAYOUT TO PAT(%)



Note

FY 19 Numbers are as per Ind AS, FY 18 Numbers has been recast as per Ind AS and FY 15 to FY 17 Numbers are as per I GAAP


The difference between winning and losing is most often not quitting.
- WALT DISNEY

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. D. N. Davar	Chairman
Mrs. Renu Munjal	Member
Mr. Pradeep Dinodia	Member

NOMINATION & REMUNERATION COMMITTEE

Mr. D. N. Davar	Chairman
Mr. Pawan Munjal	Member
Mr. Pradeep Dinodia	Member

ASSET LIABILITY MANAGEMENT COMMITTEE

Mr. D. N. Davar	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Pradeep Dinodia	Member
Mr. Sanjay Kukreja	Member

RISK MANAGEMENT COMMITTEE

Mr. D. N. Davar	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member
Mr. Pradeep Dinodia	Member
Mr. Sanjay Kukreja	Member

IT STRATEGY COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mr. Abhimanyu Munjal	Member
Mr. Sanjay Kukreja	Member
Mr. Sajin Mangalathu	Member
Mr. Subhransu Mandal	Member

STAKEHOLDER RELATIONSHIP COMMITTEE

Mr. Pradeep Dinodia	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mrs. Renu Munjal	Chairperson
Mr. Pawan Munjal	Member
Mr. D. N. Davar	Member
Mr. Pradeep Dinodia	Member
Mr. Abhimanyu Munjal	Member

COMMITTEE OF DIRECTORS

Mr. Pawan Munjal	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member

KEY MANEGERIAL PERSONNELS

Mrs. Renu Munjal
Managing Director

Mr. Abhimanyu Munjal
Joint Managing Director and Chief Executive Officer

Mr. Jayesh Jain
Chief Financial Officer

Mr. Shivendra Suman
Head – Compliance and Company Secretary

CORPORATE INFORMATION

CIN: U74899DL1991PLC046774

STATUTORY AUDITORS

M/s B S R & Co. LLP
Chartered Accountants
(FRN. No. 101248W/W-100022)
Building No. 10, 8th Floor,
Tower - B, DLF Cyber City,
Phase - II, Gurgaon - 122 002
Tel: 0124 7191000
Fax: 0124 2358613

INTERNAL AUDITORS

1. Ernst & Young LLP, Chartered Accountants,
(LLP Identification No. AAB - 4343)
14th Floor, The Ruby, 29, Senapati Bapat Marg,
Dadar (West), Mumbai - 400 028
Tel: 022 6192 0000, Fax: 022 6192 1000
Website: www.ey.com

2. PricewaterhouseCoopers Private Limited
(CIN - U74140WB1983PTC036093)
252, Veer Savarkar Marg, Shivaji Park,
Dadar, Mumbai - 400 028
Tel: 022 6669 1500, Fax: 022 6654 7801
Website: www.pwc.com

SECRETARIAL AUDITORS

Sanjay Grover & Associates, Company Secretaries
(Firm Registration No.: P2001DE052900)
B-88, 1st Floor, Defence Colony, New Delhi - 110024;
Tel: 011 4679 0000;
Website: www.cssanjaygrover.in

PRINCIPAL BANKERS

1. Punjab National bank
2. ICICI Bank
3. HDFC Bank
4. State Bank of India
5. Indian Bank
6. BNP Paribas
7. Bank of America

DEBENTURE TRUSTEE

Vistra ITCL (India) Limited
The IL&FS Financial Centre, Plot C- 22,
G Block, Bandra Kurla Complex, Bandra(E),
Mumbai 400051; Tel: 022 24255215
Website: www.itclindia.com

REGISTRAR & SHARE TRANSFER AGENT

1. FOR EQUITY SHARES RELATED MATTERS

Link Intime India Pvt. Ltd.
Noble Heights, 1st Floor, Plot NH 2,
C-1 Block LSC, Near Savitri Market
Janakpuri, New Delhi - 110058
Tel: +91 11 4141 0592-94
Fax: +91 11 4141 0591
Email: delhi@linkintime.co.in
Website: www.linkintime.co.in

2. FOR NON-CONVERTIBLE DEBENTURE RELATED MATTERS

Karvy Fintech Pvt. Ltd.
Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda, Hyderabad - 500 032
Tel: 040 6716 2222
Fax: 040- 2300 1153

REGISTERED OFFICE

34, Community Centre, Basant Lok,
Vasant Vihar, New Delhi - 110 057
Tel: 011 4604 4100, 011 2614 2451
Fax: 011 2614 3321, 011 2614 3198

CORPORATE OFFICE

9, Community Centre, Basant Lok,
Vasant Vihar, New Delhi - 110 057
Tel: 011 4948 7150;
Fax: 011 4948 7197 (98)
Email id: investors@herofincorp.com
Website: www.herofincorp.com

You have to dream before your dreams can come true.

- A.P.J. ABDUL KALAM

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the Twenty Eighth Annual Report, together with the Company's audited financial statements for the financial year ended March 31, 2019.

FINANCIAL RESULTS – STANDALONE & CONSOLIDATED

The standalone and consolidated financial highlights of your Company are as follows:

(INR in Crore)

Particulars	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
Total Revenue	2,492.52	1,691.00	2,518.47	1,694.51
Profit before Finance Costs, Depreciation & Amortization Expense	1,557.67	925.38	1,540.63	922.54
Less: Finance Costs	1,119.96	683.66	1,124.71	683.66
Depreciation & Amortization Expense	24.05	26.50	24.88	26.52
Profit before tax	**413.66**	**215.22**	**391.04**	**212.36**
Less: Provision for tax				
Current	198.05	122.19	198.05	122.19
Deferred	(52.76)	(52.80)	(52.76)	(52.76)
Profit after tax	**268.37**	**145.83**	**245.75**	**142.93**
Other Comprehensive income/(Loss) net of tax	(1.35)	(0.48)	(1.36)	(0.48)
Add: Balance of profit brought forward	221.50	141.63	218.07	141.10
Balance available for appropriation	488.52	286.98	462.46	283.55
Appropriations				
Dividend (INR) – Proposed	(29.77)	(13.90)	(29.77)	(13.90)
Corporate Dividend Tax – Current year	(6.12)	(2.83)	(6.12)	(2.83)
Transfer to Statutory Reserve	(53.68)	(32.50)	(53.68)	(32.50)
Transfer to General Reserve	(26.84)	(16.25)	(26.84)	(16.25)
Other Adjustments	-	-	-	-
Balance carried to Balance Sheet	372.11	221.50	346.05	218.07
Dividend (%) (Proposed)	42.50	28.00	42.50	28.00
Earnings per Share (EPS)				
• Basic	25.97	15.63	23.78	15.32
• Diluted	25.92	15.61	23.73	15.30

FINANCIAL HIGHLIGHTS

During the year under review, receivables under financing activity including leasing portfolio has grown by 46% from INR 13,540.35 crore in FY 2017-18 to INR 19,735.86 crore in FY 2018-19. The total revenue has shown an impressive growth of 47% from INR 1,691 crore in FY 2017-18 to INR 2,492.52 crore in FY 2018-19. Profit before tax (PBT) increased by 92% from INR 215.22 crore in FY 2017-18 to INR 413.66 crore in FY 2018-19, accordingly the Profit after tax (PAT) registered an increase of 84% from INR 145.83 crore in FY2017-18 to INR 268.37 crore in FY 2018-19.

The Company had an excellent year aided by strong volume growth across lines of business. During FY 2018-19, the Company had taken various measures to strengthen its business model and continue its growth momentum such as launching of various new products and variants.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed discussion on the Company's operational and financial performance are given in the Management Discussion and Analysis Report which is annexed to this Report as **Annexure- A**.

SUBSIDIARY COMPANIES, JOINT VENTURE OR ASSOCIATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Company has one wholly owned subsidiary company viz. Hero Housing Finance Limited ("HHFL"). HHFL was granted a housing finance company license by the National Housing Bank (NHB) in August, 2017 to carry on the business of (non-deposit taking) housing finance. HHFL had started its lending operations from April, 2018. It is an all-inclusive housing finance company providing hassle-free home loans PAN India which includes the following products to its customers: (i) Home Loans, (ii) Loan Against Property etc.

HHFL has shown a tremendous growth and touched loans of INR 556.75 crore during the first year of its operation in FY19.

During the year, your Company had invested INR 200 crore in HHFL by subscribing 20,00,00,000 equity shares of face value of INR 10 each on rights basis.

The consolidated financial statements of the Company including its subsidiary company duly audited by the statutory auditors are presented in the annual report. A report on performance and financial position of the subsidiary company included in the consolidated financial statement is presented in a separate section of this annual report. Please refer form AOC-1 annexed to the financial statements of the annual report.

The Company shall make available the annual accounts of the subsidiary company to any member of the Company upon request. The annual accounts of the subsidiary company will also be kept open for inspection at the registered office of the Company and the respective office of the subsidiary company. The annual accounts of the subsidiary company are also available on the website of the Company viz. www.herofincorp.com and can be accessed by clicking on the following link - https://www.herofincorp.com/investor-relations/financial-performance.

DIVIDEND

The Board of Directors at their meeting held on April 24, 2019 has recommended a final dividend of 42.50% (INR 4.25/- per equity share) for the financial year ended March 31, 2019. The final dividend payable shall be subject to the approval of the members of the Company at the ensuing annual general meeting (AGM). The total outgo on account of dividend (excluding dividend tax) will be INR 48.53 crore, for the current financial year 2018-19, as against INR 29.77 crore in the previous financial year.

INCREASE IN BORROWING POWERS

During the year under purview, the borrowing powers of the Company increased from INR 15,000 crore to INR 30,000 crore on the recommendation of the Board of Directors & duly approved by the members of the Company in its AGM dated September 21, 2018.

CHANGE OF REGISTRAR AND SHARE TRANSER AGENT (RTA)

The Board of Directors at meeting held on April 30, 2018 had approved the appointment of M/s Link Intime India Private Limited as Registrar and Share Transfer Agent (RTA) of the Company in respect of equity shares of the Company in place of M/s Beetal Financial & Computer Services Private Limited.

RAISING OF FUNDS/ CAPITAL

A. RIGHTS ISSUE OF EQUITY SHARES

During the period under review, the Board of Directors at its meeting held on April 30, 2018 had approved the issuance of equity shares by way of a rights issue to the existing shareholders of the Company for an amount not exceeding INR 1,200 crore. Subsequently, in pursuance to authority granted by the Board of Directors, the Committee of Directors had issued 1,57,51,300 equity shares of the face value of INR 10/- each for a cash price of INR 750 per equity share including a premium of INR 740 per equity share (INR 375 per share payable as application money and INR 375 per share payable on first and final call) totaling to an aggregate amount of INR 1,181.34 crore in the ratio of 4:25 i.e. 4(four) partly paid equity share(s) for every 25(twenty five) fully paid equity share(s) held by the existing equity shareholders as on the record date i.e. on June 26, 2018. The said issue opened for subscription by shareholders on July 16, 2018 and closed on August 14, 2018. The shares were allotted to the shareholders on August 23, 2018.

Further, the Board of Directors at its meeting held on January 17, 2019 had approved the first and final call money of INR 375 per equity share and the said offer period was opened on February 22, 2019 and closed on March 20, 2019. Thereafter, upon receipt of first and final call money, the Company in its meeting of Committee of Directors held on March 28, 2019 have converted 1,56,52,561 partly paid equity shares into fully paid equity shares. Consequent to the above, the paid-up equity share capital of your Company as on March 31, 2019 stood at INR 114.15 crore comprising of 11,40,98,182 equity shares of face value of INR 10 each and 98,739 partly paid equity shares, of face value of INR 10 each with paidup value of INR 5 each.

B. NON-CONVERTIBLE DEBENTURES

Secured non-convertible debentures worth INR 680 crore were issued on private placement basis by the Company during the year under review. Additionally, your Company had also raised INR 125 Crore from Tier-II subordinated debt during the year. The said non-convertible debentures are listed on the Wholesale debt market segment of National Stock Exchange of India Limited.

C. COMMERCIAL PAPERS

Commercial Papers worth INR 14,530 crore were issued by the Company during the year under review. Total Commercial Papers outstanding as on March 31, 2019 was INR 4,085 crore as against INR 2,820 crore as on March 31, 2018.

D. BANK LINES

Secured term loans worth INR 4,350 crore were borrowed from different banks during the year under review. Additionally, your Company enhanced the working capital lines (secured and unsecured) from INR 2,886 crore as on March 31, 2018 to INR 3,200 crore as on March 31, 2019. The Company inducted nine new banks during the same year. The Company extended relationships with the existing bankers not just in terms of additional working capital and term loan facilities but also notably deepening the banks' subscription to our commercial papers and debentures. As on March 31, 2019, the total bank lines (secured and unsecured) of the Company stands at INR 11,520 Crore.

RATINGS

During the year under review, the rating agencies reaffirmed the following long term and short term ratings of the Company -

(INR in Crore)

Rating	Program/Category	Outlook	Quantum
ICRA			
ICRA AA+	Non-Convertible Debentures	Stable	3,200
ICRA AA+	Subordinated Debt	Stable	700
ICRA AA+	Bank Loan Rating	Stable	11,000
ICRA A1+	Commercial Paper	-	6,000
CRISIL			
CRISIL AA+	Non-Convertible Debentures	Stable	2,200
CRISIL AA+	Subordinated Debt	Stable	700
CRISIL AA+	Bank Loan Rating	Stable	4,000
CRISIL A1+	Commercial Paper	-	6,000

CAPITAL ADEQUACY RATIO

The Company continues to fulfill all the norms and standards laid down by the RBI pertaining to non-performing assets, capital adequacy, statutory liquidity assets etc. As against the RBI norm of 15%, your Company has been able to maintain a Capital Adequacy Ratio (CAR) of 19.30% as on March 31, 2019, which is well above the RBI mandated norm of 15%.

TRANSFER TO GENERAL AND STATUTORY RESERVE

Your directors are pleased to report that with an objective of reinforcing the financial strength into the Company, a sum of INR 26.84 crore being 10% of profit after tax (PAT) for the year under review, has been transferred to the General Reserve of the Company.

Further, an amount of INR 53.67 crore being 20% of the profit after tax (PAT) was transferred to Statutory Reserve of the Company pursuant to Section 45IC of the Reserve Bank of India Act, 1934.

DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP) INCLUDING THOSE WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR

In terms of the applicable provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mrs. Renu Munjal, Director of the Company retires from the Board by rotation this year and being eligible, has offered herself for re-appointment. Brief resume and other details of Mrs. Renu Munjal who is proposed to be re-appointed as a director of your Company would be furnished, along with the explanatory statement to the notice of the ensuing Annual General Meeting.

During the year under review, Mr. Shivendra Kumar Suman (PAN: AZMPS6467N) was appointed as Head - Compliance & Company Secretary (KMP) of the Company in place of Mr. Vikas Gupta who had stepped down from the post of Company Secretary and designated as Senior Associate - Compliance & Secretarial, w.e.f. September 21, 2018.

Details of the whole-time key managerial personnel ("KMP") of the Company as on the date of this report are as under:

- Mrs. Renu Munjal — Managing Director
- Mr. Abhimanyu Munjal — Joint Managing Director & Chief Executive Officer
- Mr. Jayesh Jain — Chief Financial Officer
- Mr. Shivendra Suman — Head - Compliance & Company Secretary

Pursuant to the Reserve Bank of India master directions on Know Your Customer (KYC) Directions, 2016, Mr. Jayesh Jain, Chief Financial Officer, was designated as Principal Officer of the Company for monitoring and reporting of all transactions and sharing information as required under the aforesaid Directions.

DECLARATION BY INDEPENDENT DIRECTORS

In accordance with the provisions of Section 149 of the Companies Act, 2013, the Independent Director(s) have submitted their declaration of independence, stating that they meet the criteria of independence as provided in Sub Section (6) of Section 149 of the Companies Act, 2013.

In the opinion of the Board, Independent Directors fulfil the conditions specified in the Act and rules made thereunder and are independent of the management.

CORPORATE GOVERNANCE

The report on Corporate Governance is annexed as **Annexure - B** and forms part of this annual report. The Company is committed to maintain the high standards of corporate governance and is continuously striving to implement several best corporate governance practices.

EXTRACTS OF ANNUAL RETURN

In accordance with the provisions of Section 92 of the Companies Act, 2013 read with rule 12 of Companies (Management and Administration) Rules, 2014, the extract of the annual return in form MGT-9 is attached to this report as **Annexure – C**.

BOARD MEETINGS

Your Board of Directors met 5 (Five) times during the financial year 2018-19. The details of the Board meetings and the attendance of the directors are provided in the Corporate Governance report.

Pursuant to the requirements of Schedule IV to the Companies Act, 2013, a separate meeting of the Independent Directors of the Company was also held on April 30, 2018, without the presence of non-independent directors and members of the management, to review the performance of non-independent directors and the Board as a whole, the performance of the Chairman of the Company and also to assess the quality, quantity and timeliness of the flow of information between the Company, management and the Board.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Companies Act, 2013, the Board of Directors of the Company hereby state and confirm that:

- in the preparation of the annual accounts for the financial year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures in the Auditor's Report and Notes to accounts;
- the appropriate accounting policies were selected and applied consistently and judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit & loss of the Company for the said period;
- the proper and sufficient care has been taken 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;
- the annual accounts to the financial year ended March 31, 2019 have been prepared on a going concern basis.

- the Directors have laid down internal financial controls which were followed by the Company and that such internal financial controls are adequate and were operating effectively.
- 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.

CORPORATE SOCIAL RESPONSIBILITY

Your Company had constituted a Corporate Social Responsibility (CSR) Committee which functions under direct supervision of Mrs. Renu Munjal, Managing Director of the Company, who is also the Chairperson of the CSR Committee. Other members of the committee are Mr. Pawan Munjal, Mr. Abhimanyu Munjal, Mr. D.N. Davar and Mr. Pradeep Dinodia. The committee has formulated the CSR policy indicating the activities to be undertaken by the Company from time to time. The committee has been entrusted with the prime responsibility of implementation of the activities under the CSR policy and recommend the amount to be spent on such CSR activities during the year. The committee is also responsible for recommending to the Board such activities which could be undertaken as per CSR policy.

Your Company has undertaken the CSR activities and complied with the provisions of Section 135 of the Companies Act, 2013. The CSR activities undertaken by your Company are based on the approved CSR policy, which is available on the Company's website, www.herofincorp.com and can be accessed by clicking on the following link: https://www.herofincorp.com/investor-relations/company-policies.

During the FY under review, your Company spent INR 5.02 crore on its CSR activities as against the required amount of INR 3.79 crore, 2% of the average net profits of previous three financial years. The CSR initiatives undertaken by your Company along with other CSR related details form part of the Annual Report on CSR activities for FY 2018-19, which is annexed as **Annexure – D**.

The CSR policy of your Company, as adopted by the Board, broadly covers the following focus areas:-

- To direct HFCL's CSR programmes, inter alia, towards achieving one or more of the following: enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged sections of society, in rural and urban India and preserving and promoting sport;
- To develop the required capability and self-reliance of beneficiaries at the grass root level, in the belief that these are prerequisites for social and economic development;
- To engage in affirmative action/interventions such as skill building and vocational training, to enhance employability and generate livelihood for persons including from disadvantaged sections of the society;
- To pursue CSR programmes primarily in the areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;
- To carry out CSR programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;
- To carry out activities at the time of natural calamity or engage in Disaster Management System;
- To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII), PHD, FICCI, etc. in order to have a multiplier and far reaching impact on the society.

AUDITORS

STATUTORY AUDITORS AND REPORT

Pursuant to the provisions of Section 139 and other applicable provisions of the Companies Act, 2013 and rules framed thereunder, the Company in its 27th Annual General Meeting (AGM) held on September 21, 2018 had appointed M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101284W/W-100022) as the Statutory Auditor of the Company for a period of five years i.e. upto the conclusion of 32nd AGM of the Company to be held in year 2023. The requirement for the annual ratification of auditors' appointment at the AGM has been omitted pursuant to Companies (Amendment) Act, 2017 notified on May 7, 2018. They have audited the financial statements of the Company for the FY under review.

The Auditors' report read with notes to the accounts are self-explanatory and therefore do not require further comments/elaborations pursuant to Section 134 of the Companies Act, 2013. There are no qualifications made by the Statutory Auditors in their report. Further, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under Section 143(12) of the Companies Act, 2013.

SECRETARIAL AUDITORS AND REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with corresponding rules framed thereunder, M/s Sanjay Grover and Associates, Company Secretaries (ICSI Firm Registration No. P2001DE052900), were re-appointed as the secretarial auditors of the Company to carry out the secretarial audit of the Company for the financial year ended March 31, 2019.

A secretarial audit report given by the secretarial auditors of the Company in requisite Form No. MR-3 is annexed with this annual report as **Annexure-E.** The Auditors in their report to the members, made following observations. Response of your Directors with respect to them are as follows –

1. *Company has filed the half yearly return on FDI and Form ALM-2 on May 01, 2018 for the half year ended March 31, 2018, which were required to be filed on or before April 30, 2018;*
   Management Response: The Company had filed half yearly return on FDI and Form ALM-2 on May 01, 2018 as the same was updated on the portal due to some technical issues.
2. *There has been delay of 31 days in reporting to the Reserve Bank of India for change of the Principal Officer of the Company.*
   Management Response: There was an inadvertent delay in filing of the intimation for change in Principal Officer with Reserve Bank of India. The same was filed with Reserve Bank of India on October 16, 2018.

COST RECORDS AND COST AUDIT

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

LOANS, GUARANTEES AND INVESTMENTS

Pursuant to Section 186(11)(a) of the Companies Act, 2013 (the 'Act') read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loans made, guarantee given or security provided or any investment made in the ordinary course of its business by a Non-Banking Financial Company (NBFC) registered with Reserve Bank of India is exempt from the applicability of provisions of Section 186 of the Act.

During FY 2018-19, the Company had made an investment of INR 200 crore in Hero Housing Finance Ltd., a wholly owned subsidiary, by subscribing to 20,00,00,000 equity shares of the face value of INR 10 each on rights basis. Further, the Company had also granted a loan of INR 50 crore to Hero Housing Finance Limited and the same was repaid during the said financial year.

Information regarding investments covered under the provisions of Section 186 of the said Act is detailed in the financial statements.

RELATED PARTY TRANSACTIONS AND POLICY

All the related party transactions pursuant to Section 188(1) of the Companies Act, 2013 ("the Act") that were entered into by your Company during the year under review were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by your Company with its promoters, directors, key managerial personnel or other designated persons, which might have any conflict with the interest of the Company.

Your Board had approved and put in place a policy on related party transactions. In terms of provisions of Section 177 of the Act, all the related party transactions had been placed before the audit committee for its ratification/approval/rejection. There was no material transaction which required the approval of the Board therefore no detail is provided in Form AOC-2. Pursuant to Section 188 of the Companies Act, 2013, your Company has developed standard operating procedures for the purpose of identification of related party transactions and monitoring on a regular basis. Related party transactions were disclosed to the Board on regular basis as per Ind AS-24. Details of related party transactions as per Ind AS-24 may be referred to in Note 32 of the Standalone Financial Statements.

None of the Directors had any pecuniary relationships or transactions with the Company except as provided in the notes to the accounts.

Pursuant to the requirement of Non-Banking Financial Company – Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the policy on related party transactions is available on the Company's website, www.herofincorp.com and can be accessed by clicking on the following link: https://www.herofincorp.com/investor-relations/company-policies.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

Your Company has in place a well formulated vigil mechanism/whistle blower policy to deal with instances of fraud and mismanagement, if any. The policy enables any employee, director and other stakeholders to raise their concerns directly on whistle blower email ID, a report of which is tabled before the Audit committee/ Board on a periodic basis.

During the financial year 2018-19, following are the summary of complaints received and disposed off under this policy by the Disciplinary Committee (DC) presented before the Audit committee/ Board.

No. of complaints received: 2

No. of complaints disposed off: 1

The whistle blower policy of the Company is available on the Company's website, www.herofincorp.com and can be accessed by clicking on the following link: https://www.herofincorp.com/investor-relations/company-policies.

FIXED DEPOSITS

During the year under review, the Company did not accept any public deposit(s) under the provisions contained in Section 73 of the Companies Act 2013, read with Companies (Acceptance of Deposits) Rules, 2014.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No other material changes and commitments affecting the financial position of the Company had occurred between April 1, 2019 and the date of signing of this report.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

There was no change in the nature of business of the Company during the financial year ended March 31, 2019.

INFORMATION ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Your Company, being engaged in leasing and financing business within the Country, does not have any activity relating to conservation of energy, technology absorption and export of materials, goods or services. The directors, therefore, have nothing to report on conservation of energy and technology absorption.

The information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are as follows:

- Parts A and B pertaining to conservation of energy and technology absorption - NIL
- Foreign exchange earnings and outgo:

  Earnings – INR NIL

  Outgo – INR 1.65 Crore on account of travel, accommodation etc. (Previous year INR 1.10 Crore).

RISK MANAGEMENT

Effective risk management is essential to success and is an integral part of your Company's culture. While we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity, and enables us to be resilient and respond decisively to the changing environment. Our approach to risk management assists us in identifying risks early and addressing them in ways that manage uncertainties, minimize potential hazards, and maximize opportunities for the good of all our stakeholders including shareholders, customers, suppliers, regulators and employees. Risks can be broadly classified as strategic, operational, financial, legal and regulatory.

The Risk Management Committee of the Board is set up, under the Chairmanship of Mr. D.N. Davar, Independent Director, to assist the Board in its oversight of various risks, review of compliance with risk policies, monitoring of risk tolerance limits, review and analysis of risk exposures related to specific issues and provide oversight of risk across the organization. The details of the Committee along with its terms of reference are set out in the Corporate Governance Report, forming part of this Report. The Board of Directors have also adopted risk management policy for the Company which provides for identification, assessment and control of risks that in the opinion of the Board may threaten the operations, measurement & existence of the Company. The management identifies and controls risks through proper operations, management & defined framework in terms of the aforesaid policy.

ANNUAL EVALUATION OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

A formal evaluation of the performance of the Board, its Committees, and the individual directors was carried out for financial year 2018-19. The Nomination and Remuneration Committee

("NRC") has laid down proper criteria and procedure to evaluate and scrutinize performance of the Chairperson, each Director (including executive, non-executive and independent directors), of the Board as a whole and its Committee(s).

The criteria includes different aspects covered under administrative, strategic, operational and compliance headings.

As per laid down procedure, the Independent Directors held a separate meeting to assess & review the performance of the Chairperson of the Company after taking into account the views of executive and non-executive directors. The substantial and continuing, contribution of the Chairperson in the growth and success story of the Company was highly commended by the independent directors. The independent directors also reviewed performance of every executive and non-executive director of the Board. The performance evaluation of each independent director was done by the entire Board (except the independent director being evaluated). The performance of each committee has been evaluated by its members and found to be satisfactory.

REMUNERATION POLICY

Pursuant to the provisions of Section 178 of the Act, the Board of Directors had approved and adopted the nomination & remuneration policy, inter alia, for the appointment and fixation of remuneration of the directors, key managerial personnel and other employees of your Company as applicable. The NRC has also developed the criteria for determining the qualifications, positive attributes and independence of the Directors and for making payments to Executive and Non-Executive Directors of the Company. The said policy is attached herewith as **Annexure-F** to this report. The remuneration policy of your Company can be accessed by clicking on the following link- https://www.herofincorp.com/investor-relations/company-policies.

EMPLOYEE STOCK OPTION PLAN

During the year under review, there was no change in Hero FinCorp Employee Stock Option Plan, 2017 (ESOP 2017). The Company has duly approved ESOP policy & the necessary changes in the policy was duly approved by the nomination and remuneration committee on November 2, 2018. The Company granted 11,29,805 options at an exercise price of INR 495 per share to the certain employees of the Company under ESOP 2017. Details of ESOP disclosure pursuant to Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and the provisions of Section 62 of the Companies Act, 2013 read with rules framed thereunder is annexed as **Annexure G** to this report.

PARTICULARS OF EMPLOYEES

Your Directors place on record their appreciation for the significant contribution made by all the employees, who through their competence, dedication, hard work, co-operation and support have enabled the Company to achieve different milestones on a continual basis.

A detailed note on personnel is given in the Management Discussion and Analysis, which forms part of this annual report.

The statement of Disclosure of remuneration under Section 197 of the Act and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 ("Rules"), is appended as **Annexure H** to the Report. The information as per Rule 5(2) of the Rules, forms part of this Report. However, as per first proviso to Section 136(1) of the Act and second proviso of Rule 5(2) of the Rules, the Report and Financial Statements are being sent to the Members of the Company excluding the statement of particulars of employees under Rule 5(2) of the Rules. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

INTERNAL CONTROL SYSTEMS

Internal Control Culture is pervasive in the Company. The Company has a comprehensive Internal Control System for all the major processes to ensure accuracy & reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources.

The Internal Control system basically covers the area of Accounting Control, Internal Audit, Compliance Audit at regular intervals by the Internal Auditor and systems audit by Information System Auditor.

The Internal Auditors also assess opportunities for improvement in business processes, systems and controls, provides recommendations, designed to add value to the organization and follow up the implementation of corrective actions, if any, and improvements in the business processes after review by the Audit Committee.

AUDIT COMMITTEE

Pursuant to the provisions of Section 177 of the Companies Act, 2013 (the Act), your Company has an Audit committee comprising of three directors viz. Mr. D.N. Davar, Mr. Pradeep Dinodia and Mrs. Renu Munjal, majority of them are independent directors. Mr. D.N. Davar, an independent director, is the Chairman of the Audit committee. The Committee regularly interacts with the statutory auditors, internal auditors and auditees in dealing with matters falling within its terms of reference. The Audit committee mainly deals with matters relating to accounting, financial reporting and internal controls. In compliance with the provisions of the Act, the committee met 4 (four) times during the year.

Pursuant to the provisions of Companies Act, 2013, the terms of reference of the committee comprises of the following:

- the recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- review and monitor the auditor's independence and performance, and effectiveness of audit process;
- examination of the financial statements and the auditors' report thereon;
- approval or any subsequent modification of transactions of the Company with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the Company, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- monitoring the end use of funds raised through public offers and related matters;
- management of the Vigil Mechanism in the Company.

Your Company has accepted and implemented all the recommendations, made by the audit committee during the period under review.

AWARDS AND RECOGNITION

During the year under review, your Company and its management has been facilitated with the following awards –

- Hero FinCorp Limited was certified as a Great Place to Work again for 2nd year in a row. Certification duration : March 2019-Feb 2020
- Hero FinCorp Limited has been recognized among India's 20 Best Workplaces in "BFSI– 2019.
- Hero FinCorp Limited awarded the North India Best Employer Brand Award. Event organized by Employer Branding Institute and the World HRD Congress.

- Hero FinCorp Limited awarded as National Best Employer Brand Award. Event organized by Global Employer Branding Institute and World HRD Congress.
- Mr. Abhimanyu Munjal, Jt. MD & CEO of the Company has been designated as the Chairman of CII, Delhi State Council and deputy chairman for NBFC for PAN India.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 125 of the Companies Act, 2013, your Company had transferred unclaimed/unpaid dividend of INR 9,65,000 for FY 2010-11 lying with the Company for a period of 7 years after declaration of dividend to the Investor Education and Protection Fund (IEPF) of the Central Government of India.

Further, pursuant to the provisions of Section 124(6) of the Companies Act, 2013 read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect to which dividend had not been paid or claimed for 7(seven) consecutive years or more shall be transferred to IEPF Authority. Accordingly, w.r.t. FY 2010-11 shares on which dividend had not been claimed for last 7 (seven) years, the Company has transferred 15,000 equity shares into demat account of IEPF Authority. The details of equity shares transferred to IEPF are also available on the Company's website i.e. www.herofincorp.com and can be accessed by clicking on the following link- https://www.herofincorp.com/investor-relations/unclaimed-unpaid-dividend.

Pursuant to the provisions of IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, your Company has appointed Mr. Shivendra Suman, Head - Compliance & Company Secretary as Nodal officer in place of Mr. Vikas Gupta for the purpose of coordination with IEPF Authority.

COMPLIANCE WITH SECRETARIAL STANDARDS

The Company is fully compliant with the applicable secretarial standards (SS) viz. SS-1 & SS-2 on meeting of the Board of Directors and General meeting respectively.

STATUTORY DISCLOSURES

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:

- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- 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.
- Buy Back of shares
- Issue of sweat equity shares to employees of your Company.

DISCLOSURE UNDER PREVENTION OF SEXUAL HARASSMENT POLICY

Your Company has complied with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Prevention of Sexual Harassment (POSH) Policy is in place and Internal Complaints Committee (ICC) has been re-constituted and is fully operational & functional. The constitution of ICC is as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the committee includes internal & external members with relevant experience. The Committee meets at regular intervals in order to ensure and enhance security of female employees.

An annual report by the Committee is submitted to the Board of Directors of your Company on the complaints received and action taken by it during the said financial year. Following is the summary of complaints received and disposed off during FY under review:

No. of complaints received: 2

No. of complaints disposed off: 2

DISCLOSURE UNDER THE HUMAN IMMUNODEFICIENCY VIRUS AND ACQUIRED IMMUNE DEFICIENCY SYNDROME (PREVENTION AND CONTROL) ACT, 2017

The Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (Prevention and Control) Act, 2017 has been notified by the Central Government on September 10, 2018. During the period under review (i.e. from September 10, 2018 till March 31, 2019), no complaints were received by the Complaints Officer.

ACKNOWLEDGEMENT

The Board of Directors acknowledge with gratitude the co-operation and assistance extended by its bankers, financial institutions, customers, associates, debenture holders, auditors, trustees, regulatory bodies and its employees. The Board also takes this opportunity to express its deep gratitude for the continued co-operation and support received from the shareholders.

By Order of the Board
for Hero FinCorp Ltd.

Pawan Munjal
Chairman
DIN: 00004223

Place: New Delhi
Date: April 24, 2019

Registered Office:
34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110 057
CIN : U74899DL1991PLC046774
Phone : +91 11 4604 4100, +91 11 4948 7150;
Fax : +91 11 2614 3321, +91 11 4948 7197
E-mail : investors@herofincorp.com
Website: www.herofincorp.com

ANNEXURE-A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Global Economy

In 2018, the global economy began its journey on a firm footing with estimated global economic growth of 3.6% (Source: World Economic Outlook by International Monetary Fund (IMF). Global growth expectation has softened to 3.3% for 2019 with the considerations of short term civil, political and trade uncertainties across many countries. Advanced economies are likely to grow at a gradually slower clip while emerging/developing markets are likely to grow at about 5%, and be a large component of the global growth. The biggest problem for the global economy in 2019 will be massive business failures that could also lead to bank failures in emerging markets relying on foreign capital to maintain elevated living standards.

Indian Economy

NBFCs do play a critical role in participating in the development of an economy by providing a fillip to transportation, employment generation, wealth creation, bank credit in rural segments and to support financially weaker sections of the society. Despite tremendous growth in the sector, NBFCs have continued to be in limelight, recently, though, not for the right reasons. In spite of continued growth, together with improved asset quality and satisfactory capital adequacy, the stock markets have suddenly reacted negatively. With one of the important infrastructure financing NBFCs going down, the sentiment suddenly turned negative and as a result there has been a virtual bloodbath at the stock markets, when it came to stocks of all the leading NBFCs.

The Indian economy is today the fastest growing major economy in the world, even the World Bank had forecasted that India will continue to remain the fastest growing major economy in the world in 2018-19, with plethora of growth opportunities for SMEs to contribute immensely to the nation's growth. NBFCs are vital clogs in India's institutional lending machinery that substantially support the Government's financial inclusion mission.

Financial Service Sector and Developments

Regulatory and Industry developments

The NBFC sector faces liquidity crisis after a series of defaults by Infrastructure Leasing & Financial Services (IL&FS) and its many subsidiaries since late August.

While in 2018-19, though concerns surrounding the sector due to debt defaults amidst temporary asset liability mismatches arose, the inherent strength of the NBFC sector, coupled with the RBI's continuing vigil on the regulatory and supervisory front, will ensure that the growth of the sector is sustained and liquidity fears are allayed.

The NBFC sector, with a size of around 15 percent of the commercial banks' combined balance sheet, has been growing robustly in recent years, providing an alternative source of funds to the commercial sector in the face of slowing bank credit.

The Company

Hero FinCorp Limited is an NBFC with a diversified product portfolio. Its aim is to aid financial inclusion of the unserved and partnering the dreams of Indian entrepreneurs & businesses.

In the two wheeler segment, the Company has focused on customers who are left out of the banking network for reasons like limited documentation, limited credit history and hence are perceived as a high-risk category by the banking channels. Hero FinCorp Limited believes that credit worthiness can be evaluated by employing innovative methods that take into account the subjective knowledge gleaned from customer visits, background checks, etc. This provides an opportunity to the customer to start building a credit history and move towards financial inclusion.

The Company provides a bouquet of other financial products including used car financing, Loyalty personal loan, inventory funding, loan against property, loans to SMEs and emerging corporates.

Hero FinCorp Limited has set up a housing finance arm, namely, Hero Housing Finance Limited (wholly owned by Hero FinCorp Limited), to cater the housing needs and support in the government's holistic mission of "Housing for All". Hero Housing Finance Limited had commenced its operations in Q1 FY19 and has shown a tremendous growth and touched Loans of INR 556.75 crore during the first year of its operation itself in FY19.

Financial and Operational performance

The Company begun the year with the theme "Xcelerate" focusing on three key principals - operating efficiency, customer centricity and skill up. Hero FinCorp's Limited, enjoyed yet another strong year of performance aided by a diversified portfolio mix, robust, volume growth, prudent management strategic initiatives, followings are key financial parameters -

- Loans including leasing portfolio grew by 46% from INR 13,540.35 Crore on March 31, 2018 to INR 19,735.86 Crore on March 31, 2019.
- Total revenue has shown an impressive growth of 47% from INR 1,691 Crore in 2017-18 to INR 2,492.52 Crore in 2018-19.
- Profit before tax (PBT) increased by 92% from INR 215.22 Crore in 2017-18 to INR 413.66 crore in 2018-19.
- Profit after tax (PAT) registered an increase of 84% from INR 145.83 Crore in 2017-18 to INR 268.37 crore in 2018-19.

Segment wise performance

Retail Business

The retail business is present at 946 dealerships at the end of Financial Year 2019 (914 at the end of Financial Year 2018). The services are now available at over 3100+ touch points across 1700+ cities.

The retail team has built the capacity to disburse more than a loan every minute and have service over 3.5 million two-wheeler happy customers as on March 31, 2019; an amazing achievement within a short span of less than 5 years. A total of over 12 Lakh of two wheeler loans were disbursed in the last financial year (8.6 Lakh in FY18) amounting to a total active customer base of around 2.3 Million and an asset book of approx. INR 5,971 Crore.

Loan against Property, SME and Emerging Corporate Business

At present your company is operating out of 33 Locations on the non-retail segment. The team's built a capacity to process 800 applications including EMI & No EMI loans in a month. In FY19, INR 5,285 Crore worth of loans were disbursed during the year under review. The Company has closed the year with an impressive corporate asset book of INR 10,420 Crore.

Borrowings:

During the year under review, Company continued with its diverse methods of sourcing funds in addition to regular borrowings like Secured and Unsecured Debentures, Term Loans, Commercial Papers, etc.. Company sourced long-term debentures and bank term loans at competitive rates. Your Company, for the first time has raised funds through issuance of partly paid secured NCDs and External Commercial Borrowings ("ECB").

During the year, the Company borrowed to the tune of INR 21,390 Crore, including rollovers, to serve the business needs & disbursals. The borrowing book stood at INR 16,419 Crore as on March 31, 2019 against INR 10,823 Crore as at March 31, 2018.

The Company focused on diversified borrowing mix with inclination to borrow long-term money. Your Company closed the borrowing mix (Long Term: Short) at 66:34 as on March 31, 2019 vs. 64:36 as on March 31, 2018, respectively.

Non-Convertible Debentures

During the year under review, your Company issued Secured/Unsecured Redeemable Non-Convertible Debentures ("NCDs") aggregating to INR 805 Crore on a private placement basis, in various tranches. As specified in the respective offer documents, the funds raised from NCDs were utilised for the purpose of financing, etc. The said NCDs are also listed on the National Stock Exchange of India Limited.

Commercial Papers

During the period under review, Commercial papers worth of INR 14,530 Crore were issued. Total Commercial paper outstanding as on March 31, 2019 was INR 4,085 Crore as against INR 2,820 Crore as on March 31, 2018.

Bank Lines

During the period under the review, Company focused upon the bank borrowing and borrowed secured Term Loans & External Commercial Borrowings (ECB) of worth INR 4,350 Crore from different banks. Additionally, your Company enhanced the working capital lines (Secured and Unsecured) from INR 2,886 Crore to INR 3,200 Crore during the year under review. During the year your Company, also, deepened relationships with the existing bankers, not just in terms of additional working capital and term loan facilities, but also notably deepened the banks' subscription to Commercial papers and Debentures.

Asset Liability Management (ALM)

FY19 was a testing year for NBFCs' operating environment due to the liquidity crisis that hit the sector in the 2nd half of the year. The company maintained optimum asset liability management (ALM) position while ensuring cost of funds under control. The company continued to be successful in getting subscription for its Commercial Paper (CP) and Non-Convertible Debentures (NCDs) from banks and Mutual Funds.

As at March 31, 2019 the Company had a positive match in each of the cumulative buckets of the Structural Liquidity Statement. The cumulative mismatch in upto 1 month stood at positive INR 2,677.3 Crore (+220%). The cumulative mismatch in 6 – 12 months bucket stood at positive INR 2,822.2 Crore (+30%). Both these figures were well above the RBI threshold of negative 15%

Capital Adequacy

Capital Adequacy Ratio (CAR) of 19.3 % as on March 31, 2019, which is well above the RBI mandated of 15%. Tier I Capital Adequacy stood at 16.3% and Tier II capital adequacy was 3.0%. The Tier II capital adequacy also includes ECL provision of Stage I and Stage II asset.

Information Technology

A new platform based on Salesforce technology was launched in the year to offer loans to customers to help purchase Hero two wheelers. A robust customer servicing platform was launched on the ServiceCloud platform from Salesforce corporation. We also made significant upgrade to the technology infrastructure comprising of anti virus platforms, data loss prevention software regular patching of Operating systems to improve the security of our technology platform and applications. In FY19, the company also established a reliable Disaster Recovery capability for our infrastructure. Several steps continue to be taken to automate back-office processes like disbursement of funds, collection and application of delayed debt recovery payments thus delivering productivity and improving agility of the business. Overall, the investments made are aimed at creating nimble acquisition platforms, timely servicing and analytical capabilities to enable profitable cross-sell of products.

Risk Management and Concerns

Being in the business of financing and buying risk, Hero FinCorp Limited is exposed to credit, liquidity and interest rate risk; therefore, making the effective risk management framework becomes paramount. The Company has invested in people, processes and technology to mitigate risks posed by external environment and by its borrowers.

There are several other risks which could affect each of the functions of the Company. While, we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity, and enables us to be resilient and respond decisively to the changing environment.

In accordance with the requirements of the Companies Act, 2013 and RBI Regulations, the Company, has adopted and formulated the Risk Management Framework which lays down the procedure for risk assessment and mitigation. The Board has delegated the responsibility of overseeing the Risk Management framework to Risk Management Committee.

In order to mitigate the interest rate risk and liquidity risk, we have developed innovative resource mobilization techniques and prudent fund management practices, among others. Besides, superior credit rating of the Company's financial instruments enables us to raise funds at competitive rates. The Company's Asset Liability Management committee regularly reviews the interest rate and liquidity risks.

Internal Control Systems

We have an independent internal audit function which is commensurate with its size and scale. It evaluates the adequacy of all internal controls and processes, and ensures strict adherence to clearly laid down processes and procedures as well as to the prescribed regulatory and legal framework. The Company has further strengthened its internal audit function by investing in domain specialists to increase effectiveness of controls. The Audit Committee of the Board of Directors reviews the internal audit reports and the adequacy and effectiveness of the internal controls.

Material development in Human Resources

Our human capital is our most valuable asset. Our organization's commitment to its workforce is evident from the various employee centric policies and practices which cover the entire employee life cycle. We have a robust employee induction program and our work force regularly undergoes various training and assessments for their personal and professional development. We also have e-modules for employees so that they can train on the go. In addition to this, select employees go through customized leadership programs at various IVY league colleges. Also to keep our employees up to date with the latest developments in the organization, we release a monthly newsletter - Communique, which provides a comprehensive snapshot of the events across the organization, with a specific section dedicated to employee stories. Living the culture of being an employee centric organization, regular town halls are organized across locations and communication shared with employees updating them of various organizational developments. Togetherness Fests is one such initiative, which is organized in each of the 4 zones, inviting employees and their families for an evening full of engagement activities. These events give an opportunity to employees and their families to bond outside work and interact with the larger work family. At Hero FinCorp Limited, employee recognition and promoting a culture of meritocracy is the core tenets of our reward program. We believe in encouraging employees to go the extra mile; recognizing their efforts and thanking them for their contributions. It is indeed heartening to mention that in the year 2018-2019 we were certified as a Great Place to Work, 2nd year in a row. Hero FinCorp Limited is now also amongst the Top 20 places to work for in the BFSI sector and ranked 72nd amongst 'India's Best Companies to Work For'. As an organization with continued focus on CSR, last year we also launched a unique initiative called "Saarthi". Saarthi is our CSR initiative and is an employee volunteering program through which our employees can act as a career guides to underprivileged school students and help them fulfil their aspirations. This is synchronous with our organization's vision of fulfilling dreams and giving back to the society.

At the beginning of the year, we had 1266 On-roll employees and our count has grown to 1459 & our average employee age is 35 years as on March 31, 2019. People have been added across grades and several middle to senior managers has been added to strengthen the operating and leadership team. Our Company is compliant across all human resource linked policies as required by the Reserve Bank of India as well as the Government of India and values human capital as its most important resource.

SWOT ANALYSIS

Strengths

- Strong Brand Name (Hero)
- PAN India network
- Well defined scalable organizational structure, based upon product, territory and process knowledge
- Strong Financials with rapid growth in AUMs
- Experienced and stable senior management team
- Cost of borrowing being one of the lowest in the industry
- Strong relationships with public, private as well as foreign banks, institutions and investors
- More than 3.6 Million happy two wheeler customers
- Technology enabled disbursement process for two wheeler with minimum loan disbursal time of 30 minutes

Weaknesses

- Business growth and performance linked with macro-economic cycles
- Monsoons in India can have a bearing on the performance of two-wheeler financing business

Opportunities

- Large untapped market; both rural and urban and also geographically
- Blurring gap between banks in terms of costs of funds
- On-boarding the customers on technology platform

Threats

- Growing retail thrust within banks
- Asset quality deterioration may not only wipe out profits but also net worth

Outlook

2018 was a blowout year for Non-Banking Finance Companies (NBFC) on all counts. NBFCs, though not all of them, paid a heavy price for spreading their cheese too thin. In their bid to step into the space vacated by capital constrained Public Sector Banks (PSBs), NBFCs went on a reckless credit expansion, without taking into account the asset-liability scenario. Credit risk perception has increased significantly, with investors developing cold feet in opening fresh funding taps to the sector. The market too has punished them heavily, with stock prices of the listed non-banks hitting rock bottom.

The situation has changed since then, with some of the measures taken by the Government, stopping the crisis developing into a contagion and spilling over to other sectors. On the whole, the outlook for the sector for the next year is still looking weak. However, liquidity can no longer be taken as a given. With the regulatory fist tightening on them, cash will be coming to only solvent NBFCs. Another issues of equal importance are the asset quality and tepid growth in the loan book of NBFCs.

NBFCs will still play a critical role in ensuring capital to a vast array of consumers. They have brought new borrowers into the ambit of formal finance with their underwriting skills and inculcating financial discipline among the borrowers. They are much less leveraged than the PSU Banks, and still account for close to 15% of the incremental credit in the economy, making NBFCs still very important and relevant to the system.

Cautionary Statement

Certain statements in the Management Discussion and Analysis could be forward looking statements within the meaning of applicable law. Actual results may vary significantly from the forward looking statements due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political risks within and outside India, volatility in interest rates, change in Government or regulatory policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

ANNEXURE-B

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Corporate Governance is about enabling organization to achieve their goals, controls, risks and assuring compliance. Good Corporate Governance incorporates a set of rules that define the relationship between stakeholders, management and the Board of Directors of a company and influence how the company is operating. Corporate governance is about making business of the Company to work better while abiding by the rules. Corporate Governance plays an integral role in improving efficiency and growth as well as enhancing investor confidence. The Corporate Governance philosophy is scripted as follows:

"As a good corporate citizen, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success."

We believe that our Company shall go beyond adherence to regulatory framework. Our corporate structure, business, operations and disclosure practices have been strictly aligned to our Corporate Governance Philosophy. We believe in system driven performance and performance oriented systems. We accord highest priority to these systems and protect the interests of all our shareholders, particularly the minority shareholders. Our Board of Directors, guided by the mission statement, formulate strategies and policies having focus on optimizing value for various stakeholders like consumers, shareholders and the society at large.

In a nutshell, the essence of Corporate Governance lies in the phrase "Your Company". It is "Your" Company because it belongs to you, the Shareholders. The Chairman and the Directors are "Your" fiduciaries and trustees. Their objective is to take the business forward to maximize "Your" long- term wealth and upliftment of & contribution to the society to the extent possible.

Your Company has been promoted by Hero MotoCorp Limited, which is committed to benchmark itself with global standards in all areas including Corporate Governance.

BOARD OF DIRECTORS

The Company has put in place an internal governance structure with defined roles and responsibilities of every constituent within the system. The Board of Directors ('the Board') is responsible for overall governance of the Company. The respective roles and responsibilities of the Board Members and Senior Executives are clearly defined to facilitate accountability to the Company as well as its shareholders.

COMPOSITION OF THE BOARD

The Company's Board comprises of an appropriate combination of Executive and Non-Executive Directors. As on March 31, 2019, the Company's Board consists of 6 (Six) Directors, which includes 2 (two) Executive Directors, 2 (two) Non- Executive Directors and 2 (two) Non-Executive cum Independent Directors.

Details of composition of the Board, number of meetings held and attended by the Directors during the year under review etc. are given herein below.

Name of the Directors	Category	No. of Board Meetings Held	No. of Board Meetings Attended	Whether attended last AGM	No. of other Directorships held (excluding Private Companies, Foreign Companies and Sec. 8 Co's)
Executive					
Mrs. Renu Munjal	Managing Director	5	5	Yes	1
Mr. Abhimanyu Munjal	Joint Managing Director & CEO	5	5	Yes	1
Non-Executive					
Mr. Pawan Munjal	Director	5	5	Yes	2
Mr. Sanjay Kukreja	Director	5	4	No	Nil
Non-Executive and Independent					
Mr. Dharmendar Nath Davar	Independent Director	5	3	Yes	7
Mr. Pradeep Dinodia	Independent Director	5	5	Yes	5

Note: None of the Directors holds office as a director, including alternate director, in more than twenty companies at the same time. None of them has directorships in more than ten public companies. For reckoning the limit of public companies, directorships of private companies that are either holding or subsidiary company of a public company are included.

As per declarations received, none of the directors serves as an independent director in more than seven listed companies. Further, the whole-time directors in the Company do not serve as an independent director in more than three listed companies.

Mr. Abhimanyu Munjal, Joint Managing Director & CEO is a son of Mrs. Renu Munjal, Managing Director of the Company, Mrs. Renu Munjal is a wife of Late Mr. Raman Kant Munjal, son of Late Mr. Brijmohan Lall Munjal. Mr. Pawan Munjal, Chairman, is brother of Late Mr. Raman Kant Munjal.

NUMBER OF SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS

Details of shares held by non-executive directors (including independent directors) are as follows-

Name of Directors	Category	No. of shares held	Beneficiary
Mr. Pawan Munjal	Non-Executive Director	2,77,259	Self
		36,08,812	On behalf of Brijmohan Lal Om Parkash, Partnership Firm
Mr. Dharmendar Nath Davar	Non-Executive and Independent Director	91,350	Through relative
Mr. Pradeep Dinodia	Non-Executive and Independent Director	1,90,978	Through relative

Apart from the above, none of the Non-Executive (including Independent) Directors hold any shares (as own or on behalf of any other person on beneficial basis) in the Company as on March 31, 2019.

INDEPENDENT DIRECTORS

The Independent Directors of the Company are individuals of eminence & repute in their respective fields and help in bringing an independent view & judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments, corporate governance and standards of conduct. In accordance with the criteria set for selection of Independent Directors and for determining their independence, the Nomination and Remuneration Committee ('NRC') of the Board, inter alia, considers the qualifications, positive attributes, area(s) of expertise and Directorships/Committee memberships etc. held by these individuals in other companies. The Board considers the NRC's recommendation and takes appropriate decisions in appointment of the Independent Directors.

PECUNIARY RELATIONSHIP

There is no pecuniary relationship or transaction of the Non-Executive Directors vis-a-vis the Company, apart from the sitting fees and commission, if any, received by them for attending the Meetings of the Board and Committee(s) thereof.

BOARD MEETINGS

During the Financial Year 2018-19, your Board met 5 (Five) times i.e. on April 30, 2018, August 16, 2018, September 21, 2018, November 02, 2018 and January 17, 2019. The gap between any two meetings of the Board has been less than one hundred and twenty days as required under section 173 of the Companies Act, 2013.

INFORMATION SUPPLIED TO THE BOARD

Agenda papers along with the necessary documents and information are circulated to the Board and the members of the Board Committee(s) well in advance before each meeting of the Board and Committee(s) thereof. In addition to the general business items, the following items/ information(s) are regularly placed before the Board and/or Committees to the extent applicable:

- Annual operating plans and budgets and any updates;
- Capital Budgets and any updates;
- Quarterly, half yearly and annual results of the Company;
- Minutes of meetings of Audit Committee and other Committees of the Board of Directors;
- Show cause, demand, prosecution notices and penalty notices, which are materially important;
- Any material defaults in financial obligations to and by the Company for substantial non payments;
- Strategic business proposal or activities to be undertaken;
- Purchase and disposal of major fixed assets;
- Sale of material nature of investments and assets, which are not in the normal course of business;
- Reports on Internal Controls Systems, Internal Audit Reviews and Statutory Audit reviews etc;
- Related Party Transactions;
- Non-compliance of any regulatory, statutory or listing requirements and shareholders' services such as non-payment of dividend, delay in share transfer etc.; and
- Internal Audit Plan/ Calendar etc.

INFORMATION SUPPLIED FOR BOARD/COMMITTEE MEETINGS

The agenda and corresponding notes to the agenda for all Board and Committee meetings are circulated to Directors/Members in advance in a defined format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meetings. Where it is not practicable to attach any document to the agenda, it is tabled before the meeting. The quantum and quality of information supplied by the management to the Board goes well beyond the minimum requirements stipulated under the Companies Act, 2013 ('Act'), Secretarial Standards on Meetings of the Board of Directors issued by The Institute of Company Secretaries of India and as per the requirements of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), wherever applicable.

MINUTES OF BOARD/COMMITTEE MEETINGS

Minutes of proceedings of each Board and Committee meetings are recorded and draft minutes are circulated to Board/Committee members for their comments and/or confirmation within 15 days from the date of the meeting. The inputs or comments, if any, of the Board & Committee members, received within 7 days from the date of sharing of draft minutes, are duly incorporated in the minutes after which these are entered in the minutes book within 30 days from the date of meeting.

SEPARATE MEETING OF THE INDEPENDENT DIRECTORS

During the reporting financial year, a separate Meeting of the Independent Directors of the Company, was held on April 30, 2018, whereat the following items as enumerated under Schedule IV to the Companies Act, 2013 were discussed:

- Review of performance of Non-Independent Directors and the Board as a whole
- Review of performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors
- Assessment of the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.
- Review of performance of Executive Directors & Non Executive Directors.

SUBSIDIARY

During the financial year ended March 31, 2019, the Company has one wholly owned subsidiary company viz. M/s Hero Housing Finance Limited.

BOARD LEVEL COMMITTEES

AUDIT COMMITTEE

Pursuant to the provisions of Companies Act, 2013 and NBFC Regulations, as applicable, your Company has a duly constituted Audit Committee and its composition are in line with the requirements of the Act, with two-third of the members being Non-Executive and Independent Directors. The "Terms of Reference" of the Audit Committee as approved by the Board of Directors includes the following:

- the recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
- review and monitor the Auditor's independence and performance, and effectiveness of Audit process;
- examination of the financial statement and the Auditors' report thereon;
- approval or any subsequent modification of transactions of the Company with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the Company, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- monitoring the end use of funds raised through public offers and related matters;
- operate the Vigil Mechanism in the Company; and
- Internal Audit Plan/ Calendar etc.

The Chairman of the Audit Committee is Mr. Dharmendar Nath Davar, Independent Director, being the Ex-Chairman of India's renowned financial institution – IFCI Limited, possesses rich & varied experience and knowledge in the field of finance. The other members of the Committee viz. Mrs. Renu Munjal and Mr. Pradeep Dinodia, all learned and eminent personalities in their respective fields. All members of the Committee are experienced and also heading the industrial and service sectors etc.

MEETINGS, ATTENDANCE AND COMPOSITION

During the year under review, the Audit Committee met 4 (Four) times, i.e. on April 30, 2018, August 16, 2018, November 02, 2018 and January 17, 2019 respectively. The constitution of the Audit Committee and the attendance record of the members in the Committee meetings are as under:

Name of the Members	Position Held	No. of Meetings held	No. of Meetings attended
Mr. Dharmendar Nath Davar	Chairman	4	2
Mrs. Renu Munjal	Member	4	4
Mr. Pradeep Dinodia	Member	4	4

Mr. Dharmendar Nath Davar, Chairman of Audit Committee was present at the Annual General Meeting of the Company held on September 21, 2018, to answer the shareholders' queries, if any.

The Joint Managing Director & CEO, Chief Financial Officer and Company Secretary of the Company and representatives of the Internal Auditors and the Statutory Auditors also attend the Committee meetings upon invitation of the Chairman. The Company Secretary acts as the secretary to the Audit Committee.

ASSET LIABILITY MANAGEMENT COMMITTEE

Pursuant to the guidelines issued by Reserve Bank of India (RBI) on Asset Liability Management (ALM) System for NBFCs on June 27, 2001, your Company had constituted an Asset Liability Management Committee (ALM Committee) on October 31, 2002 to check the Asset Liability mismatches, interest risk exposure and to help the Company to improve the overall system for effective risk management in various portfolios held by the Company. As per the RBI guidelines, a NBFC whose assets base is greater than INR 100 Crore should have an ALM Committee to maintain the proper & adequate ALM systems. Mr. Dharmendar Nath Davar, is the Chairman of the Committee and possesses rich and varied experience and knowledge in the finance field. The other members viz. Mrs. Renu Munjal, Mr. Pradeep Dinodia, Mr. Abhimanyu Munjal and Mr. Sanjay Kukreja, are all learned and eminent personalities into their respective fields. All members of the Committee are also experienced and are heading the industrial and service sectors etc.

During the year under review, the ALM Committee met 4 (Four) times, i.e. on April 30, 2018, August 16, 2018, November 02, 2018 and January 17, 2019 respectively. The constitution of the ALM Committee and the attendance record of the members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Dharmendar Nath Davar	Chairman	4	2
Mrs. Renu Munjal	Member	4	4
Mr. Abhimanyu Munjal	Member	4	4
Mr. Pradeep Dinodia	Member	4	4
Mr. Sanjay Kukreja	Member	4	4

The Committee reviewed and carried out the necessary spadework for formalizing the Asset Liability Management Systems in the Company.

The sub-committee of the ALM Committee, consisting of the heads of various functions, met regularly during the year to discuss liquidity risk management, management of market risks, funding & capital planning, growth projections, forecasting and preparation of contingency plans. A synopsis of the minutes of the meetings of the sub-committee are regularly placed before the ALM Committee for their consideration, review & comments, if any.

RISK MANAGEMENT COMMITTEE

Pursuant to the guidelines issued by Reserve Bank of India on Corporate Governance, notified vide its circular dated May 8, 2007, every NBFC whose assets base is greater than INR 100 Crore should have a Risk Management Committee to manage the integrated risk of the Company. In view of the same, Risk Management Committee was constituted on November 19, 2008 to manage and mitigate the risk of the Company.

The Company has established effective risk assessment and minimization procedures, which are reviewed by the Risk Management Committee periodically. There is a structure in place to identify and mitigate various risks identified by the Company from time to time. At the meeting of the Risk Management Committee, the same is reviewed and new risks, if any, are identified and after their assessment, their controls are designed, put in place with specific responsibility of the concerned department/persons for their timely actions.

During the year under review, Risk Management Committee met 4 (Four) times, i.e. on April 30, 2018, August 16, 2018, November 02, 2018 and January 17, 2019 respectively. The constitution of the Committee and the attendance record of the members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Dharmendar Nath Davar	Chairman	4	2
Mrs. Renu Munjal	Member	4	4
Mr. Abhimanyu Munjal	Member	4	4
Mr. Pradeep Dinodia	Member	4	4
Mr. Sanjay Kukreja	Member	4	4

NOMINATION & REMUNERATION COMMITTEE

In view of the provisions of Section 178 of the Companies Act, 2013 and rules made thereunder, the Company has a duly constituted Nomination & Remuneration Committee and its composition are in line with the requirements of the Companies Act 2013, with two-third of the members being Non-Executive and Independent Directors.

The Nomination & Remuneration Committee was constituted on May 26, 2014 and the "Terms of Reference" are in consonance with the provisions of the Act :-

- To formulate and recommend to the Board of Directors the Company's policies, relating to the remuneration for the Directors, Key Managerial Personnel and Other Employees, criteria for determining qualifications, positive attributes and independence of a director;
- To formulate criteria for evaluation of Independent Directors and the Board;
- To identify persons who are qualified to become Directors and who might be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
- To carry out evaluation of every Director's performance;

- To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees; and
- To devise a policy on "Board diversity";

The Nomination & Remuneration Committee, as per provisions of the Companies Act, 2013 and NBFC Regulations, is to ensure 'fit and proper' status of the directors to be appointed/re-appointed and recommend their appointment/re-appointment to the Board of Directors.

During the year under review, the Nomination & Remuneration Committee met 4 (Four) times i.e. on April 30, 2018, August 16, 2018, September 21, 2018 and November 02, 2018 respectively. The constitution of the Committee and the attendance record of the members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Dharmendar Nath Davar	Chairman	4	3
Mr. Pawan Munjal	Member	4	4
Mr. Pradeep Dinodia	Member	4	4

REMUNERATION POLICY

The remuneration paid to the Executive Director(s) is approved by the Nomination & Remuneration Committee and endorsed by the Board subject to the approval of the shareholders at the general meeting and such other authorities as may be required from time to time. At the Board Meeting, only the Non-Executive Directors participate in the business pertaining to the approval of the remuneration to be paid to the Executive Director(s). The remuneration is fixed considering various factors such as qualification, experience, prevailing remuneration in the industry and the current financial position of the Company. Besides that, a commission of 1.5% of net profits, computed in accordance with Sections 197 & 198 of the Companies Act, 2013, was paid for FY 2018-19.

The Non-Executive Directors of the Company are paid sitting fees of INR 50,000 for attending each meeting of the Board and Committees of the Board, other than for attending the meeting of the Committee of Directors. The Non-Executive Directors are also entitled to remuneration by way of commission aggregating upto 1% of net profits of the Company computed pursuant to the provisions of Sections 197 & 198 of the Act in addition to the sitting fees.

The details of the remuneration paid / payable to Mrs. Renu Munjal, Managing Director and Mr. Abhimanyu Munjal, Joint Managing Director & CEO of the Company for the financial year ended March 31, 2019 are given below:

(Amount in Rupees)

Particulars	Mrs. Renu Munjal	Mr. Abhimanyu Munjal
Salary*	6,94,58,977	4,93,81,516
Contribution - Provident Fund - Super Annuation Fund	 42,83,712 53,54,640	 23,18,400 -
Commission**	6,17,37,000	6,17,37,000
Total	**14,08,34,329**	**11,34,36,916**

* Salary includes basic salary, perquisites and allowances, payment and expenses incurred on perquisites.

**Total Commission is calculated @1.5% of the net profit calculated in accordance with Sections 197 & 198 of the Companies Act, 2013.

The details of the remuneration paid to the Non-Executive Directors for the year ended March 31, 2019 are given below:

(Amount in Rupees)

Name of the Directors	Sitting Fees	Commission	Total
Mr. Pawan Munjal	5,50,000	-	5,50,000
Mr. Dharmendar Nath Davar	7,50,000	10,50,000	18,00,000
Mr. Pradeep Dinodia	13,00,000	15,00,000	28,00,000
Mr. Sanjay Kukreja	-	-	-

PERFORMANCE EVALUATION CRITERIA FOR INDEPENDENT DIRECTORS

A formal evaluation of performance of the Board, its Committees, the Chairman and individual Directors was carried out by the Nomination & Remuneration Committee for FY 2018-19, details of which are provided in the Board's Report.

STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to the provisions of sub-section (5) of section 178 of the Companies Act, 2013 and rules made thereunder, your Board of Directors had constituted Stakeholders Relationship Committee to specifically look into the debenture holders', shareholders' and investors' complaints on matters relating to transfer/transmission of shares, non-receipt of annual report, non-receipt of dividend, payment of unclaimed dividends, payment of interest/principal amount to debenture holders, other lenders etc. The Terms of Reference of Stakeholders Relationship Committee are as per the following details:

- To consider and resolve the grievances of shareholders, debenture holders and other security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of balance sheet and non- receipt of declared dividends, non-receipt of interest/ principal on debt instruments.
- To look into matters that can facilitate better security-holders services and relations.

During the year under review, the Constitution of the Committee is as under:

Name of the Members	Position Held
Mr. Pradeep Dinodia	Chairman
Mrs. Renu Munjal	Member
Mr. Abhimanyu Munjal	Member

No meeting was held during the year under review.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In pursuance to the provisions of Section 135 the Companies Act, 2013 and Rules made thereunder, the Company has a duly constituted Corporate Social Responsibility Committee responsible for formulation, recommendation and execution of the CSR Policy of the Company.

The terms of reference of the CSR Committee, inter-alia, include the following:

- Formulation of CSR Policy as specified in Schedule VII of the Companies Act, 2013 indicating the activities, projects to be undertaken, timelines and expenditure thereon;
- Recommendation of CSR Policy to the Board;

- Recommendation of expenditure to be incurred on the activities referred above; and
- Monitoring & oversight the implementation of the Policy.

During the year under review, the members of the Corporate Social Responsibility Committee met twice, i.e. on April 30, 2018 and November 02, 2018. The constitution of the Committee and the attendance record of the members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mrs. Renu Munjal	Chairperson	2	2
Mr. Pawan Munjal	Member	2	2
Mr. Abhimanyu Munjal	Member	2	2
Mr. Dharmendar Nath Davar	Member	2	2
Mr. Pradeep Dinodia	Member	2	2

IT STRATEGY COMMITTEE

Pursuant to the RBI Master Direction-Information Technology Framework for the NBFC sector dated June 8, 2017, the Company has constituted an IT Strategy Committee on August 29, 2017 to review the IT strategies in line with the corporate strategies, board policy reviews, cyber security arrangements and any other matter related to IT governance.

During the year under review, the members of the IT Strategy Committee met twice, i.e. on August 16, 2018 and January 17, 2019. The constitution of the IT Strategy Committee and the attendance record of the members in the Committee Meetings are as under:

Name of the Members	Position Held	No. of Meetings Held	No. of Meetings Attended
Mr. Pradeep Dinodia	Chairperson	2	2
Mr. Abhimanyu Munjal	Member	2	2
Mr. Sanjay Kukreja	Member	2	2
Mr. Sajin Mangalathu	Member	2	2
Mr. Subhransu Mandal	Member	2	2

This Committee need to mandatorily meet atleast twice a year i.e. once in a six month and the time gap between two meetings shall not exceed six months.

COMMITTEE OF DIRECTORS

The Committee of Directors deals with routine matters of the Company on day to day basis and the matters relating to allotment, transfer, transmission, transposition, issue of new/duplicate share certificates, matters relating to borrowing investment of surplus funds opening and closure of Bank accounts, allotment of NCDs and all other matters as prescribed and delegated to the Committee by the Board from time to time. The Committee comprises of Mr. Pawan Munjal, Mrs. Renu Munjal and Mr. Abhimanyu Munjal as its members.

This Committee generally meets as and when required. During the year under review, 20 (Twenty) meetings of the Committee of Directors were held.

DISCLOSURES

RELATED PARTY TRANSACTIONS

In terms of Section 188(1) of the Companies Act, 2013, all related party transactions entered into by the Company during FY 2018-19 were duly approved by the Audit Committee. No approval of the Board was required as all the transactions were on arm's length basis and in the ordinary course of business. Disclosure of related party transactions as required under Indian Accounting Standard 24 (Ind AS-24) were, however, disclosed to the Board.

The transactions with the Related Parties are on arm's length basis and in the ordinary course of business of the Company and do not have any potential conflict with the interests of the Company at large.

The policy on dealing with related party transactions is disclosed on the Company' website, link for which is https://www.herofincorp.com/investor-relations/company-policies.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

In compliance with the applicable provisions of the Companies Act, 2013 and other applicable regulations, the Audit Committee of the Company approved the policy/mechanism on dealing with whistle blowers. The Audit Committee reviews the same as and when required. During the year, no individual was denied access to the Audit Committee for reporting concerns, if any. The said policy/mechanism is disclosed on the Company' website, link for which is https:// www.herofincorp.com/investor-relations/company-policies. During the year under review, two complaints had been received and resolved by the company.

The Company has put in place a whistle blower policy to support the Code of Conduct. The details about the vigil mechanism forms part of the Board's report.

ACCOUNTING TREATMENT IN PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015.

GENERAL BODY MEETINGS

Details of location, day, date and time of Annual General Meetings held during the last three years and resolutions passed there at are given below.

DETAILS OF GENERAL MEETINGS:

Financial Year	Location	Day & Date & Time	Summary of Resolution(s) Passed
		Annual General Meeting	
2017-18	Hotel The Grand, Nelson Mandela Road, Vasant Kunj, Phase-II, New Delhi-110070	Friday, September 21, 2018 Time: 11:30 A.M.	**Special Resolution(s):** • Keeping of register of members and index of members at a place other than the registered office • Enhancement in the limit of Borrowings • To provide the security for securing the Borrowings • Issuance of Non- Convertible Debentures on Private Placement Basis

2016-17	Hotel ITC Sheraton, District Centre, Saket, New Delhi-110017	Friday, September 29, 2017 Time: 03:00 P.M.	**Special Resolution(s):** • Issuance of Non-Convertible Debentures on Private Placement basis
2015-16	Hotel ITC Sheraton, District Centre, Saket, New Delhi-110017	Thursday, September 15, 2016 Time: 10.30 A.M.	**Special Resolution(s):** • Alteration of Articles of Association to authorise Issuance of Warrants • Issue of Equity Shares and Warrants on Preferential Basis through Private Placement • Increase in the Limit of Borrowing • Issuance of Non-Convertible Debentures on Private Placement basis • Appointment of Mr. Abhimanyu Munjal (DIN-02822641) as Joint Managing Director and Chief Executive Officer of the Company
Extra Ordinary General Meeting			
2016-17	Hotel ITC Sheraton, District Centre, Saket, New Delhi-110017	Thursday, September 15, 2016 Time: 2.00 P.M.	**Special Resolution:** • Alteration of adoption of restated Articles of Association of the Company

Resolution(s) passed last year through postal ballot – details of voting pattern and the procedure thereof:

During the year, no resolution was passed by Postal Ballot.

MEANS OF COMMUNICATION

(a) Results:

The Company publishes limited reviewed un-audited standalone financial results on a half yearly basis. In respect of the last half year, the Company publishes the audited financial results for the complete financial year.

(b) Newspapers wherein results normally published:

The half-yearly/ annual financial results were published in newspaper 'Financial Express' in English all editions.

(c) Website, where displayed:

The financial results and the official news releases are also placed on the Company's website www.herofincorp.com in the 'Investors' section on the following link - https://www.herofincorp.com/investor-relations/financial-performance.

(d) Annual Report

The Annual Report containing, inter-alia, the audited financial statements (standalone & consolidated), Board's Report, Auditors' Report, Management Discussion and Analysis (MDA) report and other important information is circulated to shareholders and other stakeholders and is also available on the Company's website at www.herofincorp.com.

(e) Reminder to Investors

Periodical reminders for unclaimed shares and unpaid dividends are sent to shareholders as per records of the Company. These details are also uploaded on website of the Company at www.herofincorp.com.

GENERAL SHAREHOLDERS' INFORMATION

i) Annual General Meeting - date, time and venue:

Annual General Meeting (for the Financial Year 2018-19)

Day : Friday

Date : September 06, 2019

Time : 3:00 p.m.

Venue : Jacaranda, India Habitat Centre, Lodhi Road, New Delhi -110003

ii) Financial Year:

The Financial Year of the Company starts from 1st April of a year and ends on 31st March of the following year.

iii) Dividend Payment:

The Board has recommended dividend @ 42.50% i.e. INR 4.25/- per equity share of INR 10 each for the financial year 2018-19. This dividend as recommended by the Board, if approved by the shareholders at their 28th Annual General Meeting, shall be paid to those members, whose names would appear in the register of members of the Company as on Record date.

iv) Listing on Stock Exchange

The Non Convertible Debentures of the Company are listed on –

National Stock Exchange of India Limited (NSE)
Exchange Plaza, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

The Company has paid Annual Listing Fees for FY 2019-20 within the stipulated time.

FINANCIAL CALENDAR

For the financial year ended March 31, 2019, the financial results of the Company were announced on:

a)	First quarter ended June 30 , 2018	August 16, 2018
b)	Second quarter ended September 30, 2018	November 02, 2018
c)	Third quarter ended December 31, 2018	January 17, 2019
d)	Fourth quarter & Financial year ended March 31, 2019	April 24, 2019

For the year ending March 31, 2020, the financial results of the Company are likely to be announced on:

a)	First quarter ending on June 30, 2019	Last week of July, 2019
b)	Second quarter ending on September 30, 2019	Third week of October, 2019
c)	Third quarter ending on December 31, 2019	First week of February, 2020
d)	Fourth quarter & Financial year ending on March 31, 2020	Last week of April, 2020

TABULAR DISTRIBUTION OF DIVIDEND PAYMENT SINCE 2011-12

Year	Dividend % age	Date of Declaration	Date of Payment	Last Date of claiming Unpaid Dividend
2017-18	28	21/09/2018	24/09/2018	21/10/2025
2016-17	15	29/09/2017	03/10/2017	29/10/2024
2015-16	10	15/09/2016	16/09/2016	15/10/2023
2014-15	20	15/09/2015	21/09/2015	15/10/2022
2013-14	30	19/09/2014	23/09/2014	19/10/2021
2012-13	30	19/07/2013	23/07/2013	18/08/2020
2011-12	100	18/07/2012	20/07/2012	17/08/2019

Distribution of Shareholding as on March 31, 2019

Categories	No. of shares held	Percentage of Shareholding (%)
1) Promoter & Promoter group	9,12,03,151	79.86
2) Non- Promoter	2,29,93,770	20.14
Grand Total	**11,41,96,921**	**100.00**

SHARE TRANSFER SYSTEM

During the year, the Company, in the meeting of Board of Directors held on April 30, 2018, has approved the appointment of M/s Link Intime India Private Limited as Registrar and Transfer Agent (RTA) of the Company in place of M/s Beetal Financial & Computer Services Private Limited.

The share transfer job is being handled by the Registrar and Transfer Agent of the Company i.e. M/s. Link Intime India Private Limited. During the year 2018-19, 49,974 shares were transferred (including transmission) and the said transfers were affected within the prescribed period. Shares under objection were returned to respective shareholder.

Company's Registrar Details

Equity Shares

*M/s Link Intime India Pvt. Ltd.

Plot Number NH-2, Noble Height, C1 Block, LSC
Near Savitari Market, Janakpuri, New Delhi-110058
Phone No. 011-41410592-94; Fax No. 011-41410591
**Appointed on April 30, 2018*

Non-Convertible Debentures

M/s Karvy Fintech Pvt. Ltd.
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad – 500032

Phone: 040 -67162222, Fax: 040- 23001153

TRANSFER / TRANSMISSION / TRANSPOSITION OF SHARES:

The Securities and Exchange Board of India (SEBI), vide its Circular No. MRD/DoP/Cir-05/2009 dated 20th May, 2009 and Circular No. MRD/DoP/SE/RTA/Cir-03/2010 dated 7th January, 2010 made it mandatory that a copy of the PAN Card is to be furnished to the Company in the following cases:

- deletion of name of deceased shareholder(s) where shares are held jointly in the name of two or more shareholders;

- transmission of shares to the legal heirs where shares are held solely in the name of deceased shareholder; and
- transposition of shares where order of names of shareholders are to be changed in the physical shares held jointly by two or more shareholders.

Investors, therefore, are requested to furnish the self attested copy of PAN card, at the time of sending the physical share certificate(s) to the Company, for effecting any of the above stated requests.

Shareholders are also requested to keep record of their specimen signature before lodgment of shares with the Company to avoid probability of signature mismatch at a later date.

CONSOLIDATION OF MULTIPLE FOLIOS:

Shareholder(s) of the Company who have multiple accounts in identical name(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.

NOMINATION FACILITY:

Provision of Section 72 of the Companies Act, 2013 read with rule 19(1) of the rules made thereunder extends nomination facility to individuals holding shares in the physical form. To help the legal heirs/ successors get the shares transmitted in their favour, shareholder(s) are requested to furnish the particulars of their nomination in the prescribed Nomination Form with RTA. Shareholder(s) holding shares in Dematerialized form are requested to register their nominations directly with their respective DPs.

UPDATE YOUR CORRESPONDENCE ADDRESS / BANK MANDATE/ EMAIL ID:

To ensure all communications/ monetary benefits received promptly, all shareholders holding shares in physical form are requested to notify to the Company, change in their address / bank details / email Id instantly by written request under the signatures of sole/ first joint holder.

Shareholder(s) holding shares in dematerialized form are requested to notify change in bank details / address / email Id directly with their respective DPs.

QUOTE FOLIO NO. / DP ID NO.:

Shareholders/Beneficial Owners are requested to quote their Folio Nos./DP ID Nos., as the case may be, in all correspondence with the Company.

Shareholders are also requested to quote their Email IDs, Contact/Fax numbers(landline/ cell phone) for prompt reply to their correspondence.

TRANSFER OF UNCLAIMED SHARES TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016 (the 'Rules') notified by the Ministry of Corporate Affairs effective September 7, 2016, as amended, all shares in respect of which dividend has remained unclaimed by the shareholders for seven consecutive years or more are required to be transferred to the Investor Education and Protection Fund (IEPF).

During the year, notices were sent to the concerned shareholders whose shares were liable to be transferred to IEPF/Suspense Account under the said Rules for taking appropriate action and full details of such shareholders and shares due for transfer to IEPF Authority/Suspense Account have also been uploaded on Company's website at link https://www.herofincorp.com/investor-relations/unclaimed-unpaid-dividend

An option to claim from IEPF Authority, all unpaid/unclaimed dividends or other amounts and the unclaimed shares transferred to IEPF, is available to members. Members may make their claim by following the due procedure for refund as prescribed under the said rules. Details of refund process are also available on website of the Company at https://www.herofincorp.com/investor-relations/unclaimed-unpaid-dividend

Details of dividends remaining unpaid/unclaimed have been duly uploaded on the website of the Company at www.herofincorp.com and at the website of IEPF authority at www.iepf.gov.in.

DEMATERIALIZATION OF SHARES AND LIQUIDITY

As per the notification dated September 10, 2018 issued by Ministry of Corporate Affairs (MCA), the requests for effecting transfer of securities in physical mode shall not be processed by the Company on or after October 02, 2018 unless the securities are held in the dematerialized form with a depository. It is mandatory for every shareholder to get their shares dematerialized before the transfer or subscribes to any securities of an unlisted public company.

As on March 31, 2019, 10,88,74,988 (95.34%) of the total share capital was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Registered Office
34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110 057
Phone : +91 11 4604 4100, +91 11 4948 7150;
Fax : +91 11 2614 3321, +91 11 4948 7197
E-mail : investors@herofincorp.com
Website: www.herofincorp.com
Company Identification No. (CIN): U74899DL1991PLC046774
Permanent Account Number (PAN): AAACH0157J
Tax Identification Number (TIN): 07850173974
GST Number (GSTIN): 07AAACH0157J1ZS

Investor's correspondence may be addressed to:
Compliance & Secretarial Department
E-mail: investors@herofincorp.com

Or

Any query relating to the financial statements of the Company can be addressed to:
Mr. Jayesh Jain, Chief Financial Officer

ANNEXURE-C

Form No. MGT-9
EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31/03/2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

(i)	CIN	U74899DL1991PLC046774
(ii)	Registration Date	16/12/1991
(iii)	Name of the Company	Hero FinCorp Limited
(iv)	Category/Sub-Category of the Company	Public Company Limited by Shares
(v)	Address of the registered office and contact details	34, Community Centre, Basant Lok, Vasant Vihar, New Delhi 110057 Phone : +91 11 4604 4100, +91 11 4948 7150; Fax : +91 11 2614 3321, +91 11 4948 7197
(vi)	Whether listed Company	No (Only Non-Convertible Debentures are listed on NSE)
(vii)	Name, Address and Contact details of Registrar and Transfer Agent	**For Equity Shares:** *Link Intime India Private Limited Noble Heights, 1st Floor, Plot NH 2, C-1 Block LSC, Near Savitri Market, Janakpuri, New Delhi - 110058 Tel: +91 11 4141 0592-94 **For Non-Convertible Debentures:** Karvy Fintech Pvt. Ltd. Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500032 Phone: 040 -67162222, Fax: 040- 23001153

*Appointed on April 30, 2018

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: -

S. No.	Name and Description of main products/ services	NIC Code of the Product/service	% to total turnover of the Company
1.	NBFC (Financing Services)	64990	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Hero Housing Finance Limited	U65192DL2016PLC301481	Subsidiary	100%	2(87)

IV. SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Physical	Demat	Total	% of Total Shares	Physical	Demat	Total	% of Total Shares	
A. Promoter & Promoter Group (1) Indian									
a) Individual/HUF	1272010	13957661	15229671	15.47	348600	15399506	15748106	13.79	(1.68)
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	40264993	22331065	62596058	63.58	1921968	73533077	75455045	66.07	2.49
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other…	0	0	0	0	0	0	0	0	0
Sub-total (A) (1):-	**41537003**	**36288726**	**77825729**	**79.05**	**2270568**	**88932583**	**91203151**	**79.86**	**0.81**
(2) Foreign a) NRIs - Individuals									
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)	**41537003**	**36288726**	**77825729**	**79.05**	**2270568**	**88932583**	**91203151**	**79.86**	**0.81**
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) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	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 Corp.									
i) Indian	43650	32197	135847	0.14	47450	148618	196068	0.17	0.03
ii) Overseas	0	13327888	13327888	13.54	0	14818018	14818018	12.98	(0.56)
b) Individuals									
i) Individual shareholders holding nominal share capital upto INR 1 lakh	2220857	1592086	3812943	3.87	1791844	2194380	3986224	3.49	(0.38)
ii) Individual shareholders holding nominal share capital in excess INR 1 lakh	1666056	1403381	3069437	3.12	1212071	2446332	3658403	3.20	0.08
C) Others-									
- HUF	10000	128611	138611	0.14	0	162899	162899	0.14	0.00
- NRI	0	98766	98766	0.10	0	119858	119858	0.11	0.01
- Investor Education Protection Fund	0	36400	36400	0.04	0	52300	52300	0.05	0.01
Sub-total (B)(2):-	**3940563**	**16679329**	**20619892**	**20.95**	**3051365**	**19942405**	**22993770**	**20.14**	**(0.81)**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**3940563**	**16679329**	**20619892**	**20.95**	**3051365**	**19942405**	**22993770**	**20.14**	**(0.81)**
C. Shares held by Custodian for GDRs & ADRs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GRANDTOTAL (A+B+C)	**45477566**	**52968055**	**98445621**	**100**	**5321933**	**108874988**	**114196921**	**100**	**0**

ii) Shareholding of Promoter & Promoter Group

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of 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	% change in shareholding during the year
1.	Abhimanyu Munjal	209500	0.21	Nil	301363	0.26	Nil	0.05
2.	Akshay Munjal	157512	0.16	Nil	187324	0.16	Nil	0.00
3.	Anesha Munjal	78750	0.08	Nil	91704	0.08	Nil	0.00
4.	Annuvrat Munjal	294500	0.30	Nil	342945	0.30	Nil	0.00
5.	Geeta Anand	85500	0.09	Nil	99423	0.09	Nil	0.00
6.	Mukta Munjal	4500	0.01	Nil	4500	0.00	Nil	(0.01)
7.	Pawan Munjal	238091	0.24	Nil	277259	0.24	Nil	0.00
8.	Radhika Uppal	90000	0.09	Nil	104805	0.09	Nil	0.00
9.	Rahul Munjal	192500	0.20	Nil	224166	0.20	Nil	0.00
10.	Renu Munjal	352718	0.36	Nil	410740	0.36	Nil	0.00
11.	Renuka Munjal	98533	0.10	Nil	115904	0.10	Nil	0.00

12.	Santosh Munjal	315000	0.32	Nil	315000	0.28	Nil	(0.04)
13.	Suman Kant Munjal	158466	0.16	Nil	184534	0.16	Nil	0.00
14.	Shefali Munjal	39375	0.04	Nil	45675	0.04	Nil	0.00
15.	Sunil Kant Munjal	271124	0.28	Nil	314502	0.28	Nil	0.00
16.	Supria Munjal	164000	0.17	Nil	190978	0.17	Nil	0.00
17.	Ujjwal Munjal	193718	0.20	Nil	224420	0.20	Nil	0.00
18.	Vasudha Dinodia	164000	0.17	Nil	190978	0.17	Nil	0.00
19.	Santosh Munjal, Pawan Munjal, Renu Munjal, Suman Kant Munjal (on behalf of Brijmohan Lal Om Parkash, Partnership Firm)	12121866	12.31	Nil	12121886	10.61	Nil	(1.70)
20.	Hero MotoCorp Ltd.	40388576	41.03	Nil	47032574	41.18	Nil	0.15
21.	Hero InvestCorp Ltd	2523600	2.56	Nil	3286666	2.88	Nil	0.32
22.	Bahadur Chand Investments (P). Ltd.	17761914	18.04	Nil	23213837	20.33	Nil	2.29
23.	Munjal Acme Packaging Systems Pvt. Ltd	1921968	1.95	Nil	1921968	1.68	Nil	(0.27)

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

S. No.	Shareholders' Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	HERO MOTOCORP LIMITED				
	At the beginning of the year	40388576	41.03	40388576	41.03
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)				
	23.08.2018 (Allotment of Shares)	6643998	0.15	47032574	41.18
	At the End of the year			47032574	41.18
2.	BAHADUR CHAND INVESTMENTS PRIVATE LIMITED				
	At the beginning of the year	17761914	18.04	17761914	18.04
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-

	23.08.2018 (Allotment of Shares)	5451923	2.29	23213837	20.33
	At the End of the year			23213837	20.33
3.	HERO INVESTCORP PRIVATE LIMITED				
	At the beginning of the year	2523600	2.56	2523600	2.56
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	763066	0.32	3286666	2.88
	At the End of the year			3286666	2.88
4.	AKSHAY MUNJAL				
	At the beginning of the year	157512	0.16	157512	0.16
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	30.05.2018 (Purchase of shares)	900	0.00	158412	0.16
	31.05.2018 (Purchase of shares)	1100	0.00	159512	0.16
	23.08.2018 (Allotment of Shares)	26462	0.00	185974	0.16
	05.11.2018 (Purchase of shares)	350	0.00	186324	0.16
	05.11.2018 (Purchase of shares)	1000	0.00	187324	0.16
	At the End of the year			187324	0.16
5.	ANNUVRAT MUNJAL				
	At the beginning of the year	294500	0.30	294500	0.30
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-

	23.08.2018 (Allotment of Shares)	48445	0.00	342945	0.30
	At the End of the year			342945	0.30

6.	SUNIL KANT MUNJAL				
	At the beginning of the year	271124	0.28	271124	0.28
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	43378	0.00	314502	0.28
	At the End of the year			314502	0.28

7.	ABHIMANYU MUNJAL				
	At the beginning of the year	209500	0.21	209500	0.21
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	91863	0.05	301363	0.26
	At the End of the year			301363	0.26

8.	UJJWAL MUNJAL				
	At the beginning of the year	192718	0.20	192718	0.20
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	31702	0.00	224420	0.20
	At the End of the year			224420	0.20

9.	RAHUL MUNJAL				
	At the beginning of the year	192500	0.20	192500	0.20
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	31666	0.00	224166	0.20
	At the End of the year			224166	0.20
10.	SUPRIA MUNJAL				
	At the beginning of the year	164000	0.17	164000	0.17
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	26978	0.00	190978	0.17
	At the End of the year			190978	0.17
11.	VASUDHA DINODIA				
	At the beginning of the year	164000	0.17	164000	0.17
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	26978	0.00	190978	0.17
	At the End of the year			190978	0.17

12.	RENUKA MUNJAL				
	At the beginning of the year	99531	0.10	99531	0.10
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	16373	0.00	115904	0.10
	At the End of the year			115904	0.10

13.	RADHIKA UPPAL				
	At the beginning of the year	90000	0.09	90000	0.09
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	14805	0.00	104805	0.09
	At the End of the year			104805	0.09

14.	GEETA ANAND				
	At the beginning of the year	85500	0.09	85500	0.09
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	13923	0.00	99423	0.09
	At the End of the year			99423	0.09

15.	ANIESHA MUNJAL				
	At the beginning of the year	78750	0.08	78750	0.08
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-

	23.08.2018 (Allotment of Shares)	12954	0.00	91704	0.08
	At the End of the year			91704	0.08
16.	SHEFALI MUNJAL				
	At the beginning of the year	39375	0.04	39375	0.04
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	6300	0.00	45675	0.04
	At the End of the year			45675	0.04
17.	RENU MUNJAL				
	At the beginning of the year	352718	0.36	352718	0.36
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	58022	0.00	410740	0.36
	At the End of the year			410740	0.36
18.	PAWAN MUNJAL				
	At the beginning of the year	238091	0.24	238091	0.24
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	39168	0.00	277259	0.24
	At the End of the year			277259	0.24

19.	SUMAN KANT MUNJAL				
	At the beginning of the year	158466	0.16	158466	0.16
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc)	-	-	-	-
	23.08.2018 (Allotment of Shares)	26068	0.00	184534	0.16
	At the End of the year			184534	0.16

Apart from the above, there has been no change in the shareholding of promoter & promoter group of the Company during the year.

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

S. No.	Name of the Shareholder	Shareholding at the beginning of the year		Date of Change	Increase/ Decrease in Shareholding	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company			No. of shares	% of total shares of the company
1.	OTTER LIMITED						
	Shareholding at beginning of the year	10790890	10.96	31.03.2018		10790890	10.96
	Allotment of Shares			23.08.2018	1266875		
	Shareholding at end of the year	12057765	10.56	31.03.2019		12057765	10.56
2.	CREDIT SUISSE (SINGAPORE) LIMITED						
	Shareholding at beginning of the year	2536998	2.58	31.03.2018		2536998	2.58
	Allotment of Shares			23.08.2018	223255		
	Shareholding at end of the year	2760253	2.42	31.03.2019		2760253	2.42
3.	VIKAS SRIVASTAVA						
	Shareholding at beginning of the year	164328	0.17	31.03.2018		164328	0.17

	Allotment of Shares			23.08.2018	19292		
	Shareholding at end of the year	183620	0.16	31.03.2019		183620	0.16
4.	ANISHA CHATURVEDI						
	Shareholding at beginning of the year	104800	0.11	31.03.2018		104800	0.11
	Transfer			07.12.2018	1472		
	Shareholding at end of the year	106272	0.09	31.03.2019		106272	0.09
5.	HEMA AGARWAL						
	Shareholding at beginning of the year	90000	0.10	31.03.2018		90000	0.10
				-	Nil		
	Shareholding at end of the year	90000	0.10	31.03.2019		90000	0.10
6.	ASHISH MUNJAL F/NG NEETI						
	Shareholding at beginning of the year	78750	0.08	31.03.2018		78750	0.08
	Allotment of Shares			23.08.2018	12600		
	Shareholding at end of the year	91350	0.08	31.03.2019		91350	0.08
7.	VIVAAN JAJOO						
	Shareholding at beginning of the year	66000	0.07	31.03.2018		66000	0.07
	Allotment of Shares			23.08.2018	10560		
	Shareholding at end of the year	76560	0.07	31.03.2019		76560	0.07
8.	RAJESH BALDEVRAJ CHOWDHRY						
	Shareholding at beginning of the year	63500	0.06	31.03.2018		63500	0.06
	Allotment of Shares			23.08.2018	10160		
	Shareholding at end of the year	73660	0.06	31.03.2019		73660	0.06

9.	ASHOK KUMAR GUPTA						
	Shareholding at beginning of the year	61000	0.06	31.03.2018		61000	0.06
	Allotment of Shares			23.08.2018	10035		
	Shareholding at end of the year	71035	0.06	31.03.2019		71035	0.06
10.	RAJEEV JUNEJA						
	Shareholding at beginning of the year	58200	0.06	31.03.2018		58200	0.06
	Allotment of Shares			23.08.2018	9312		0.00
	Shareholding at end of the year	67512	0.06	31.03.2019		67512	0.06
11.	B JYOTHIRMAYEE RAJESHWAR						
	Shareholding at beginning of the year	52500	0.05	31.03.2018		52500	0.05
	Allotment of Shares			23.08.2018	8400	60900	0.05
	Transfer			10.11.2018	(48100)	12800	0.01
	Transfer			05.01.2019	(4400)	8400	0.00
	Shareholding at end of the year	8400	0.00	31.03.2019		8400	0.00

v) Shareholding of Directors and Key Managerial Personnel:

S. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
1.	Pawan Munjal	238091	0.24	277259	0.24
2.	Renu Munjal	352718	0.36	410740	0.36
3.	Abhimanyu Munjal	209500	0.21	301363	0.26
4.	D.N. Davar	-	-	-	-
5.	Pradeep Dinodia	-	-	-	-
6.	Sanjay Kukreja	-	-	-	-
Shareholding of Key Managerial Personnel					
1.	Jayesh Jain*	-	-	-	-
2.	Vikas Gupta*	-	-	-	-
3.	Shivendra Suman*	-	-	-	-

Date wise Increase /Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer /bonus/ sweat equity etc.):					
Allotment of shares through Rights Basis on August 23, 2018					
	At the End of the year				
1.	Pawan Munjal	277259	0.24	277259	0.24
2.	Renu Munjal	410740	0.36	410740	0.36
3.	Abhimanyu Munjal	301363	0.26	301363	0.26
4.	D.N.Davar	-	-	-	-
5.	Pradeep Dinodia	-	-	-	-
6.	Sanjay Kukreja	-	-	-	-
Shareholding of Key Managerial Personnel					
1.	Jayesh Jain	-	-	-	-
2.	Vikas Gupta#	-	-	-	-
3.	Shivendra Suman*	-	-	-	-

@ Appointed as Chief Financial Officer effective January 26, 2018

 # Resigned from the post of Company Secretary effective September 21, 2018

** Appointed as Company Secretary effective September 21, 2018*

V. INDEBTENESS:

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

(Amount INR in Crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	7,637.00	3,148.74	0.00	10,785.74
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	175.28	17.69	0.00	192.97
Total (i+ii+iii)	**7,812.28**	**3,166.43**	**0.00**	**10,978.71**
Change in Indebtedness during the financial year				
• Addition	6,668.07	14,592.59	0.00	21,260.66
• Reduction	2,422.36	13,301.17	0.00	15,723.53
Net Change	**4,245.71**	**1,291.42**	**0.00**	**5,537.12**
Indebtedness at the end of the financial year				
i) Principal Amount	11,882.71	4,440.16	0.00	16,322.87
ii) Interest due but not paid	0.00	0.00	0.00	0.00
iii) Interest accrued but not due	230.12	21.54	0.00	251.66
Total (i+ii+iii)	**12,112.83**	**4,461.70**	**0.00**	**16,574.53**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

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

(Amount INR in Crore)

S. No.	Particulars of Remuneration	Name of MD/WTD/Manager		
		Mrs. Renu Munjal, MD	Mr. Abhimanyu Munjal, JMD & CEO	Total Amount
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	10.53	8.29	18.82
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	0.70	0.40	1.1
	(c) Profits in lieu of salary u/s 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	Less : as % of profit - 17-18 paid included above	3.75	3.75	7.50
	Add: as % of profit provided not included above	6.17	6.17	12.34
	- others, specify...			
5.	Others, please specify - Provident Fund	0.43	0.23	0.66
	Total (A)	**14.08**	**11.34**	**25.42**
	Ceiling as per the Act			**39.75**

B. Remuneration to other Directors:

(Amount INR in Crore)

S. No.	Particulars of Remuneration	Name of Directors	
1.	Independent Directors	**Mr. D.N. Davar**	**Mr. Pradeep Dinodia**
	• Fee for attending board / committee meetings	0.08	0.13
	• Commission	0.11	0.15
	• Others, please specify	-	-
	Total Amount	**0.19**	**0.28**
2.	Other Non-Executive Directors	**Mr. Pawan Munjal**	**Mr. Sanjay Kukreja**
	• Fee for attending board / committee meetings	0.05	-
	• Commission	-	-
	• Others, please specify	-	-
	Total Amount	**0.05**	**-**
	Overall ceiling as per the Act		**43.72**

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

(Amount INR In Crore)

S. No.	Particulars of Remuneration	KEY MANAGERIAL PERSONNEL			
		COMPANY SECRETARY		CFO	Total
		Mr. Vikas Gupta*	Mr. Shivendra Suman*	Mr. Jayesh Jain	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	0.09	0.46	1.41	1.96
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option@	Nil	Nil	-	Nil
3.	Sweat Equity	Nil	Nil	Nil	Nil
4.	Commission - as % of profit - others, specify...	Nil	Nil	Nil	Nil
5.	Others, please specify – Provident Fund	0.00	0.02	0.07	0.09
	Total	**0.09**	**0.48**	**1.48**	**2.05**

*Resigned from the post of Company Secretary effective September 21, 2018

*Appointed as Company Secretary effective September 21, 2018

@2,185 options were granted to Mr. Jayesh Jain, Chief Financial Officer

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

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	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Annexure – D

ANNUAL REPORT ON CSR PURSUANT TO RULE 8 OF COMPANIES (CORPORATE SOCIAL RESPONSIBILITY POLICY) RULES, 2014

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

   The Board of Directors (the "Board") of Hero FinCorp Ltd. ("HFCL") has adopted the CSR policy which has following key points:

   a) HFCL's CSR programmes, inter alia, towards achieving one or more of the following: enhancing environmental and natural capital; supporting rural development; promoting education including skill development; providing preventive healthcare, providing sanitation and drinking water; creating livelihoods for people, especially those from disadvantaged Sections of society, in rural and urban India and preserving and promoting sports;

   b) To develop the required capability and self-reliance of beneficiaries at the grass root level, in the belief that these are prerequisites for social and economic development;

   c) To engage in affirmative action/interventions such as skill building and vocational training, to enhance employability and generate livelihood for persons including from disadvantaged sections of society;

   d) To pursue CSR programmes primarily in areas that fall within the economic vicinity of the Company's operations to enable close supervision and ensure maximum development impact;

   e) To carry out CSR programmes in relevant local areas to fulfil commitments arising from requests by government/regulatory authorities and to earmark amounts of monies and to spend such monies through such administrative bodies of the government and/or directly by way of developmental works in the local areas around which the Company operates;

   f) To carry out activities at the time of natural calamity or engage in Disaster Management system;

   g) To promote sustainability in partnership with industry associations, like the Confederation of Indian Industry (CII), PHD, FICCI, etc. in order to have a multiplier and far reaching impact.

   The policy is available on the Company's website, www.herofincorp.com on the following link: https://www.herofincorp.com/investor-relations/company-policies

2. **The Composition of the CSR Committee**

1.	Mrs. Renu Munjal	Chairperson
2.	Mr. Pawan Munjal	Member
3.	Mr. D.N. Davar	Member
4.	Mr. Pradeep Dinodia	Member
5.	Mr. Abhimanyu Munjal	Member

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

   Average Profit for the last 3 (three) Financial Years –
   INR 82.50 crore (2015-16)
   INR 130.41 crore (2016-17)
   INR 162.45 crore (2017-18)

4. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)**

   2% of Average – INR 3.79 crore

5. Details of CSR spent during the financial year

(a) Total amount to be spent for the financial year: INR 3.79 crore

(b) Amount unspent, if any; NIL

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR Project or activity Identified	Sector in Which the Project is Covered*	Projects or Programs 1. Local area or Other 2. Specify the State and district where projects or programs was Undertaken	Amount outlay (budget) project or programs wise (INR Crore)	Amount spent on the projects or programs Sub heads: 1. Direct expenditure on projects or programs. 2. Overheads (INR Crore)	Cumulative Expenditure upto to the reporting period (INR Crore)	Amount spent: Direct or through Implementing agency
1	Dhandharcha	Promoting education, including special education	Gurgaon	2.39	2.17	2.17	Raman Kant Munjal Foundation
2	Saarthi – Employee Volunteer Program	Promoting education, including special education and employment enhancing vocation skills	Rewari, Gurgaon, Meerut of Haryana	0.71	0.53	0.53	Raman Kant Munjal Foundation
3	HUNAR – Skilling youth through NSDC	Promoting education, including special education and employment enhancing vocation skills	Faridabad	0.75	0.53	0.53	Raman Kant Munjal Foundation
4	RKM Scholarships	Promoting education, including special education and employment enhancing vocation skills	Across India	0.72	0.51	0.51	Raman Kant Munjal Foundation
5	RMVM School Infrastructure Support	Promoting education, including special education and employment enhancing vocation skills	RMVM, Sidhrawali, Haryana	0.16	0.16	0.16	Raman Kant Munjal Foundation
6	Cargo Van for RMVM School	Promoting education, including special education and employment enhancing vocation skills	RMVM, Sidhrawali, Haryana	0.05	0.05	0.05	Raman Kant Munjal Foundation
7	Smart Classes Infrastructure for RMVM School	Promoting education, including special education and employment enhancing vocation skills	RMVM, Sidhrawali, Haryana	0.95	0.95	0.95	Raman Kant Munjal Foundation

8	RMVM 5 Students Sponsorship amount	Promoting education, including special education and employment enhancing vocation skills	RMVM, Sidhrawali, Haryana	0.05	0.05	0.05	Raman Kant Munjal Foundation
9	AID to Cancer Patients through United Way of India	Promoting health care including preventive health	Across India	0.02	0.02	0.02	United Way of India
10	Blind School Sports Meet	Training to promote nationally recognized sports, Paralympic sports and Olympic sports	Delhi	0.05	0.05	0.05	Indian Blind Sports Association
	TOTAL			**5.85**	**5.02**	**5.02**	

* Sector refers to the Entries specified in Schedule VII to the Companies Act, 2013.

- Raman Munjal Vidya Mandir is an educational institution located in Sidhrawali Village in the Gurgaon District of Haryana, India. Situated at the 67th milestone on Delhi-Jaipur Highway (NH 8), the foundation was laid in 1992 by the Munjal Family. The institution was established in order to provide education to the rural people of nearby areas to help them attain a better lifestyle and to promote knowledge at the most basic level, something that can advance the whole country.
- United Way India (UWI) is a part of the United Way Worldwide network and is a registered non-profit in India. UWI aims at advancing the common good through its various local programs and initiatives in the areas of health, education, livelihood and disaster relief.
- With 133 institutions and sports organizations from 23 states affiliated to it Indian Blind Sports Association is the largest national level sports body devoted to the promotion of sports among the visually challenged in the country. It was established in April, 1986 through the initiative of the Blind Relief Association, Delhi (BRA), a premier organization for the blind in India. The objective was to promote national-level sports activities for the blind. The Association is registered as a non-profit body under Societies Registration Act. The Association is recognized by the Indian Olympic Association and affiliated to the International Blind Sports Federation (IBSA), representing India in this apex sports body of the visually challenged. It is also affiliated with the Paralympic Committee of India.

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.

It was confirmed that the implementation and monitoring of CSR Policy, was in compliance with CSR objectives and Policy of the Company.

Place: New Delhi
Date: April 24, 2019

Renu Munjal
Chairperson, CSR Committee &
Managing Director
DIN: 00012870

Annexure – E

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2019

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

To,
The Members
HERO FINCORP LIMITED
(CIN: U74899DL1991PLC046774)
34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110057

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Hero FinCorp Limited** (hereinafter called the Company), which is an unlisted public 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.

We report that-

a) Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.

b) 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.

c) We have not verified the correctness and appropriateness of the financial statements of the Company.

d) Wherever required, we have obtained the Management representation about the compliances of laws, rules and regulations and happening of events etc.

e) The compliance of the provisions of the corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.

f) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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 audit period covering the financial year ended on 31st March, 2019 ("Audit Period") 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 on 31st March, 2019 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii)The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv)Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, where applicable;

(v) 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) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

(c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with clients;

(d) *The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(e) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; (SEBI Listing Regulations)

*No event took place during the audit period.

We have also examined compliance with the applicable clauses of the Secretarial Standard on Meetings of the Board of Directors and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India which has been generally complied with.

During the Audit Period, the Company has complied with the provisions of the Act, Rules, Regulations, to the extent applicable, as mentioned above, except the followings:-

- *Company has filed the half yearly return on FDI and Form ALM-2 on 01st May, 2018 for the half year ended 31st March, 2018, which were required to be filed on or before 30th April, 2018.*
- *There has been delay of 31 days in reporting to the Reserve Bank of India for change of the Principal Officer the Company.*

(vi) The Company primarily provides two-wheeler financing, pre-owned car financing, inventory funding, loan against property, loans to SMEs and emerging corporate housing loan and Reserve Bank of India Act, 1934 and rules, regulations & directions issued by RBI from time to time, are the laws specifically applicable to the Company;

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.

Adequate notice is given to all directors to schedule the Board Meetings, Agenda and detailed notes on agenda were sent in advance of the meeting and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting for meaningful participation at the meeting.

Board decisions are carried out with unanimous consent and therefore, no dissenting views were required to be captured and recorded as part of the minutes.

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

We further report that during the audit period-

- Pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013, Company in its Annual General Meeting held on 21st September, 2018 has approved the limit of Borrowing upto INR 30,000 Crore (Rupees Thirty Thousand Crore only); and

- Pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, Company in its Annual General Meeting held on 21st September, 2018, passed a special resolution to create such mortgages/charges/ hypothecation and/or other encumbrances, on all or any part of the immovable and/ or movable properties etc. in favour of Banks, Financial Institutions etc. from whom the Company has/or proposed/proposes to borrow money/sums of moneys by way of Term Loans, Overdrafts, etc. within the overall borrowing limits fixed pursuant to Section 180(1)(c) of the Companies Act, 2013; and
- Pursuant to the provisions of Sections 42, 179 and all other applicable provisions of the Companies Act, 2013, Company passed a special resolution in its Annual General Meeting held on 21st September, 2018, for issuance of non-convertible debentures on private placement basis for an amount not exceeding the total borrowing limits of the Company i.e. INR 30,000 Crore (Rupees Thirty Thousand Crore only).
- Committee of Directors in its meeting held on 23rd August, 2018, has made right issue of 15,751,300 equity shares of INR 10 each (50% paid up) at a premium of INR 740 per share (50% paid up) in the ratio of 4 equity shares for every 25 equity shares.

For Sanjay Grover & Associates
Company Secretaries
Firm Registration No.: P2001DE052900

Neeraj Arora
Partner
CP No.: 16186

April 24, 2019
New Delhi

ANNEXURE-F

NOMINATION AND REMUNERATION POLICY

I. PREAMBLE

Pursuant to Section 178 of the Companies Act, 2013 (the Act), the Board of Directors is required to constitute the Nomination and Remuneration Committee. The Company has already constituted Nomination & Remuneration Committee.

The Nomination & Remuneration Committee determines and recommends to the Board the compensation payable to Directors. Remuneration for the Executive Directors consists of a fixed component and a variable component linked to the long term vision, medium term goals and annual business plans.

The company had set-up a Remuneration Committee on April 18, 2005 to review and recommend the quantum and payment of annual salary and commission and finalize service agreements and other employment conditions of the Executive Directors. The Committee takes into consideration the best remuneration practices being followed in the industry while fixing appropriate remuneration packages. As per the guidelines of Companies Act, 2013, the committee has been renamed as the Nomination and Remuneration Committee ("NR Committee").

Section 178 of the Act provides that the Committee shall recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees, further the Committee shall also formulate the criteria for determining qualifications, positive attributes and independence of a director.

This Committee and the Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

II. OBJECTIVE

The Key Objectives of the Committee would be:

a) To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.

b) To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation.

c) To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

III. DEFINITIONS

- **"Board of Directors"** or **"Board",** in relation to a company, means the collective body of the Directors of the Company;
- The expression **"senior management"** means personnel of the Company who are members of its core management team other than the Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.
- "Company" means "**Hero FinCorp Limited**."
- "Independent Director" means a director referred to in Section 149 (6) of the Companies Act, 2013.
- "Key Managerial Personnel" (KMP) means

(i) Chief Executive Officer or the Managing Director or the Manager,

(ii) Company Secretary,

(iii) Whole-time Director;
(iv) Chief Financial Officer and
(v) Such other officer as may be prescribed.

Hero FinCorp Ltd. has the following individuals assuming key positions in the Company:

- "Nomination and Remuneration Committee" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.
- "Policy or This Policy" means, "Nomination and Remuneration Policy."
- "Remuneration" means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-Tax Act, 1961.

IV. INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, as amended from time to time.

V. GUIDING PRINCIPLES

The Policy ensures that

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and
- Aligning key executive and board remuneration with the longer term interests of the company and its shareholders;
- Minimize complexity and ensure transparency;
- Link to long term strategy as well as annual business performance of the company;
- Promotes a culture of meritocracy and is linked to key performance and business drivers; and
- Reflective of line expertise, market competitiveness so as to attract the best talent

VI. ROLE OF THE COMMITTEE

The role of the Committee inter alia will be the following:

1. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
2. To carry out evaluation of every director's performance.
3. To formulate the criteria for determining qualifications, positive attributes and independence of a director, and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
4. To formulate the criteria for evaluation of Independent Directors and the Board.
5. To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria.
6. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
7. To perform such other functions as may be necessary or appropriate for the performance of its duties.

VII. MEMBERSHIP

a) The Committee shall comprise at least three (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent.

b) The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act, 2013 and applicable statutory requirement.

c) Membership of the Committee shall be disclosed in the Annual Report.

d) Term of the Committee shall be continued unless terminated by the Board of Directors.

VIII. CHAIRMAN

a) Committee shall be chaired by an Independent Director.

b) Chairman of the Company, if any, may be appointed as a member of the Committee but shall not Chair the Committee.

c) Members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

d) Chairman of the Nomination and Remuneration Committee could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

IX. FREQUENCY OF MEETINGS

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

X. COMMITTEE MEMBERS' INTERESTS

a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

XI. VOTING

a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

XII. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

- **Appointment criteria and qualifications:**

  1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
  2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
  3. The Company shall appoint/ re-appoint as Managing Director/Whole-time Director/Manager in Compliance with the provisions of the Companies Act, 2013, Guidelines issued by Reserve Bank of India, Listing Obligations and Disclosure Requirement issued by Securities & Exchange Board of India and

other Regulatory Authorities from time to time. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

- **Term / Tenure:**

  1. Managing Director/Whole-time Director/Manager (Managerial Person)
     - The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

  2. Independent Director
     - An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
     - No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
     - At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

- **Evaluation:** The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management at regular interval (yearly).

- **Removal:** Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

- **Retirement:** The Director, KMP and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

XIII REMUNERATION PAID TO EXECUTIVE DIRECTORS

- The remuneration paid to Executive Directors is recommended by the Nomination and Remuneration Committee and approved by the Board in the Board meeting, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.

- At the Board meeting, only the Non-Executive and Independent Directors participate in approving the remuneration paid to the Executive Directors. The remuneration is arrived by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the company. The elements of the remuneration and limits are pursuant to the Sections 178, 197 and Schedule V of the Companies Act, 2013.

1 Remuneration Policy Structure

The remuneration structure for the Executive Directors would include the following components:

(i) Basic Salary

- Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market.
- Are normally set in the home currency of the Executive Director and reviewed annually.
- Will be subject to an annual increase as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors.

(ii) Commission

- Executive Directors will be allowed remuneration, by way of commission which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities.
- Subject to the condition that the amount of commission shall not exceed 5% of net profit of the company in a particular financial year in the manner referred in Section 197 & 198 of Companies Act, 2013.
- The amount of commission shall be paid subject to recommendation of the Nomination and Remuneration committee and approval of the Board of Directors.

(iii) Perquisites and Allowances

A basket of Perquisites and Allowances would also form a part of the remuneration structure.

(iv) Contribution to Provident and Other funds

In addition to the above, the remuneration would also include:

- Contribution to Provident and Superannuation Funds
- Gratuity

(v) Minimum Remuneration

If in any financial year during the tenure of the Executive Directors, the company has no profits or its profits are inadequate, they shall be entitled to, by way of Basic Salary, Perquisites, allowances, not exceeding the ceiling limit of INR 2,00,000 per month, and in addition hereto, they shall also be eligible for perquisites not exceeding the limits specified under Part IV of Schedule V of the Companies Act, 2013 Remuneration payable to Non-Executive & Independent Directors or such other limits as prescribes by the Government from time to time as Minimum Remuneration, whichever is higher.

XIV REMUNERATION PAYABLE TO NON-EXECUTIVE & INDEPENDENT DIRECTORS

The Non-Executive Directors of the company would be paid sitting fees of INR 50,000 for each meeting of the Committees and Board.

XV REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS

The Remuneration to the Non-Executive Directors would be as per recommendations of the Nomination and Remuneration committee and approval of the Board of Directors. It would be pursuant to the provisions of Sections 197 & 198 of the Companies Act, 2013.

XVI REMUNERATION PHILOSOPHY FOR KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT & STAFF

The compensation for the Key managerial personnel, senior management and staff at Hero FinCorp would be guided by the external competitiveness and internal parity through annual benchmarking surveys.

Internally, performance ratings of all Hero FinCorp Employees would be spread across a normal distribution curve. The rating obtained by an employee will be used as an input to determine Variable and Merit Pay increases. Variable and Merit pay increases will be calculated using a combination of individual performance and organizational performance. Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage must be made.

Compensation can also be determined based on identified skill sets critical to success of Hero FinCorp. It is determined as per management's review of market demand and supply.

1 Grade Structure (Leadership Pyramid)

Since HFCL is an evolving organization in the Financial Services Space and aspire to be one of the leading financial service organization in the field of the Two Wheeler and Corporate Finance. The Grade Structure of HFCL has been aligned as per the work value of jobs and degree of responsibility and accountability involved. The Classification of each grade is based on the level of the work undertaken, and encompasses the elements of decision making, communication, knowledge and proficiency.

The Grade Structure will help an employee to understand about their current level and career progression path in the organization.

Employee Group	Parameters to Focus (Compensation Mix)
Top Management (Impact Level 1)	High weightage to company performance & Emphasis on Long term incentives and Benefits
Middle management (Impact Level 2)	High weightage on individual performance & lesser variable component.
Junior Management	No Variable, Fixed Income & some social Security
Individual Contributor	No Variable, Fixed Income. Better then industry pay. Focus on providing necessary and statutory benefits

2 Performance Framework

In HFCL Meritocracy is the backbone of the performance and potential recognition framework, driven on principles of the Balanced Score Card approach. The Performance Management Policy revolves around the three 'P' approach:

- People
- Performance
- Potential

HFCL recognizes its People as an Asset and believes in recognizing and supporting employee's duties done in the best interest of the organization and compensate appropriately. The PMS policy also clearly distinguishes between the Performance & Potential by:

- Pay to Performance
- Promote to the potential

Performance planning is the process of setting goals and objectives at the start of the year. The process of "GOAL SETTING" needs to be conducted in the month of May / June every year. Goal Setting should include a discussion between the Appraisee & Appraiser and should be mutually decided. Targets set during the process should be SMART.
(S-Specific, M-Measurable, A-Attainable, R-Realistic and T-Time bound).

3 Mid Year Review

HFCL encourages constant review culture. However, midyear review is the process of taking stock of the performance after 6 months of goal setting. This would be conducted in the month of October every year.

This discussion would summarize accomplishments to date, identify what goals have been added, eliminated or changed, review priorities and clarify performance expectations going forward with a condition that no changes in salary and grade will take place. It is strictly a review of performance.

XVII. MINUTES OF COMMITTEE MEETING

Proceedings of all Meetings must be recorded in the Minutes book and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

XVIII. DEVIATIONS FROM THIS POLICY

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

ANNEXURE - G

INFORMATION TO BE DISCLOSED PURSUANT TO PROVISIONS OF SECTION 62(1)(B) OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES ON ESOP DISCLOSURES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

S. No.	Particulars	ESOP Scheme 2017
1.	Options Granted	11,29,805
2.	Options Vested	NA
3.	Options Exercised	NA
4.	The total no. of shares arising as a result of exercise of option	NA
5.	Options Lapsed	1,03,915
6.	The Exercise Price	INR 495 per equity share
7.	Variation of terms of Options	NA
8.	Total No. of Options in Force	10,25,890
9.	Employee wise details	
	i) key managerial personnel.	93,185
	ii) any other employee who receives a grant of options in any one year of option amounting to five per cent or more of option granted during that year.	NIL
	iii) Identified employees who were granted option, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	NIL

ANNEXURE - H

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

1. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year:

Name of Directors/ KMP and Designation	Remuneration of Director/ KMP for FY 2018-19 (INR In Crore)	% Increase in Remuneration in FY 2018-19	Ratio of the remuneration to the median employee's remuneration
Executive Directors*			
Mrs. Renu Munjal - Managing Director	14.08	37.10	202
Mr. Abhimanyu Munjal – Joint Managing Director & CEO	11.34	44.83	162
Non-Executive Directors			
Mr. Pawan Munjal	0.05	20.00	1
Mr. Sanjay Kukreja	-	-	-
Non-Executive and Independent Directors			
Dr. D.N. Davar	0.18	50.00	3
Mr. Pradeep Dinodia	0.28	124.00	4
Employees & KMP			
Mr. Jayesh Jain – Chief Financial Officer	1.48	NA	22
Mr. Vikas Gupta – Company Secretary (upto September 21, 2018)	0.09	16%	2
Mr. Shivendra Suman – Head – Compliance & Company Secretary (effective September 21, 2018)	0.48	NA	7

2. The median remuneration of employees of the Company during the FY was INR 7 Lakhs.

3. Median salary of employees in current year has increased by 2.54% in comparison to the previous year.

4. The number of permanent employees on the rolls of Company as on March 31, 2019 was 1459 (previous year 1255).

5. Average percentage increase made in the salary of employees other than the managerial personnel in last FY i.e. 2018-19 was 13%.

   The increment given to each employee is based on performance of the individual and performance of the Company during the financial year.

   There is no exceptional increase in the managerial remuneration.

6. It is hereby affirmed that remuneration to Key Managerial Personnel and Employees of the Company are in line with the Remuneration Policy of the Company.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERO FINCORP LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Hero FinCorp Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone financial statements" or "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (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 2019, profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis of Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit

Impairment loss allowance on loans to customers
Charge: INR 136.90 Crore for year ended 31 March 2019
Provision: INR 481.37 Crore at 31 March 2019

Refer to the accounting policies in "Note 3 to the standalone financial statements: Impairment of financial assets", "Note 2.4 to the standalone financial statements: Significant Accounting Policies- use of estimates and judgments" and "Note 7 to the standalone financial statements: Loans"

Subjective estimate

Recognition and measurement of impairment of loans involves significant management judgement.

With the applicability of Ind AS 109, credit loss assessment is based on expected credit loss (ECL) model. Management exercises judgement in determining the quantum of loss based on a range of factors.

The significant areas are:

- Segmentation of loan book
- Loan staging criteria
- Calculation of probability of default/ loss given default
- Consideration of forward looking macro-economic factors

As detailed in accounting policy (refer note 3 to the financial statements), the determination of loan impairment provisions is inherently judgmental and relies on managements' best estimate of a variety of inputs. Wherever data was not available, reasonable alternatives are applied. Given the size of loan book relative to the balance sheet and the impact of impairment provision on the books, we have considered this as a key audit matter. Estimates, by their nature, give rise to a higher risk of material misstatement.

Our audit procedures included:

- Understanding management's processes, systems and controls implemented in relation to impairment allowance process.
- Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge.
- Involving our modelling specialist to understand the model methodology and reasonableness of assumptions used.
- Testing the accuracy of key inputs in the calculation and evaluating the reasonableness of the assumptions made.
- Testing the PD and LGD calculation workings performed by management.
- Changes to the modelling assumptions were assessed to confirm these were appropriate.
- Considering the adequacy of the Company's disclosure on impairment loss and key assumptions.

Measurement of Interest using effective interest rate method

Subjective estimate

The interest income on loans is recognised using the effective interest rate ('EIR') method which spreads directly attributable cashflows over the expected lives of the loans. This includes the one-time non-refundable fee earned by the Company and costs incurred to generate loans. The Company carries out the necessary computations for making relevant adjustments, after making judgements and assumptions for tenor, portfolio segregation, rate of interest etc.

The assumptions in calculations are:

- expected life of instruments.
- usage pattern , and redemption profiles of loans informed by past customer behaviour
- industry trend in the absence of sufficient historical experience to predict behaviour of the customers.
- Grouping of portfolios

In view of above mentioned judgements and computations carried out by management, we have considered this as a key audit matter.

Our audit procedures included:

- Testing of key controls in relation to the accuracy of data inputs from the systems into the effective interest rate models
- Assessing the design and implementation of key internal financial controls over calculations used by model
- Inspecting a sample to ensure that pricing structure, fees and costs are appropriately incorporated into the EIR models as required by the relevant accounting standards.
- Testing the EIR computation carried out by the management.
- Considered publically available information for determining expected life, to the extent applicable; and
- Considering the sensitivity of the model to changes in key assumptions.

Changes to the standalone financial statements due to transition to Ind AS *"Note 40" to the standalone financial statements: First time adoption of Ind AS"*	
On 1 April 2018, the Company adopted the Indian Accounting Standard ("Ind AS") notified by the Ministry of Corporate Affairs with effect from 1 April 2017, being the transition date. The Company has followed Ind AS notified under Section 133 of the Companies Act 2013 ('the Act'), read with the relevant rules for preparation of the Statement. Basis the transition from the previous GAAP to Ind AS, the major areas being impacted are: - Impairment loss allowance of loans to customers - Fair valuation of financial instruments - Deferred tax - Presentation and disclosures of the financial statements	Our audit procedures included the following: • Understood the methodology planned by the management to give impact to the transition adjustments. • Assessed that the adjustments made for the standalone financial statements are in line with the Ind AS requirements. • Tested the accuracy of key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made for the adjustments. • We assessed the accuracy of the computations. • Verified the appropriateness of the disclosures required for the first time adoption of Ind AS.
IT Systems and Controls	
The Company's key financial accounting and reporting processes are dependent on the information systems including automated controls in system, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. We have identified "IT systems and controls" as key audit matter because of high level of automation, significant number of systems being used by the management and complexity of the IT systems.	Our key audit procedures included: **General IT controls / user access management** • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We have also tested design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, completeness and accuracy of reports. Further, tested key control over user access management around various IT automated controls. • Other areas that were independently assessed included password policies, security configurations, controls over changes to applications and databases and other business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act. 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate

internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The comparative financial information of the Company for the year ended 31 March 2018 and the transition date opening balance sheet as at 1 April 2017 included in these standalone financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended 31 March 2018 and 31 March 2017 dated 30 April 2018 and 8 May 2017 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent available.

2. (A) 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 (including other comprehensive income), the statement of changes in equity and the statement of the cash flow dealt with by this report are in agreement with the books of account.

d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer note 34.2 to the standalone financial statements;

ii. The Company has made provisions, as required under the applicable laws or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Company does not have any derivative contracts for which there were any material foreseeable losses – Refer note 34.3 to the standalone financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these standalone financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16), in our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
(Firm's Registration No. 101248W/ W-100022)

Jiten Chopra
Partner
(Membership No. 092894)

Place: Gurugram
Date: 24 April 2019

Annexure A referred to in our Independent Auditor's Report to the members of Hero FinCorp Limited on the standalone financial statements for the year ended 31 March 2019

(i) (a) According the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) According the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which all the fixed assets verified in a phased manner at least once in three year which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. Pursuant to the programme, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable properties are held in the name of the Company.

(ii) The Company is a service company, primarily in the business of providing loans to its customers. Accordingly it does not hold any physical inventories. Thus, the provision of clause 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has granted loans, secured or unsecured, to companies covered in the register maintained under section 189 of the Act. The Company has not granted any loans, secured or unsecured, to firms or other parties covered in the register maintained under section 189 of the Act.

(a) The terms and conditions of the grant of above-mentioned loans are not prejudicial to the interest of the Company.

(b) The schedule for repayment of principal and interest on the loans are stipulated at the time of sanction of these loans, and accordingly, the principal and interest for these loans have been received regularly during the year; and

(c) There are no overdue amounts in respect of the loans granted to the parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) (c) of the order is not applicable.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loan, guarantees and securities covered under section 185 of the Act. The Company has not made any investment as referred in section 186 (1) of the Act, other requirements relating to section 186 of the Act do not apply to the Company.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply. Accordingly, the provision of clause 3(v) of the Order is not applicable to the Company.

(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act, for any of the services rendered by the Company. Accordingly, the provision of clause 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 records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, cess, goods and service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As informed to us, there were no dues for employees' state insurance and duty of customs during the year.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, cess, goods and services tax and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, following dues of Income-tax, cess and Value Added Tax have not been deposited with the appropriate authorities on account of dispute. According to the information and explanations given to us, there are no dues of goods and service tax and cess which have not been deposited with the appropriate authorities on account of dispute. Further, there were no dues payable in respect of duty of customs.

Name of the statute	Name of the dues	Forum where dispute is pending	Period to which amount relates	Amount involved (INR in Crore)	Amount unpaid (INR in Crore)
Income tax Act, 1961	Income tax	Commissioner (Appeals)	2013-14 2014-15	9.11	5.43
Income tax Act, 1961	Income tax	High Court, Delhi	2006-07 2009-10	0.33	0.18
Income tax Act, 1961	Income tax	Income Tax Appellate Tribunal	2012-13	1.08	-
Delhi Value added tax Act	Value added tax	Objection hearing authority (Trade and Tax department)	2013-14 2014-15 2015-16	0.32	0.32
Delhi Value added tax Act	Value added tax	Appellate VAT Tribunal, Trade and Taxes Delhi	2012-13	0.38	0.06

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks or debenture holders. Further, the Company did not have any outstanding loans or borrowings from the government during the year.

(ix) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instrument) during the year. According to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanation given to us, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, the provision of clause 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, the Company is in compliance with section 188 and 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable Ind AS.

(xiv) According to the information and explanation given to us the Company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

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

(xvi) According to the information and explanation given to us, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For B S R & Co. LLP
Chartered Accountants
(Firm's Registration No. 101248W/ W-100022)

Jiten Chopra
Partner
(Membership No. 092894)

Place: Gurugram
Date: 24 April 2019

Annexure B to the Independent Auditors' report on the standalone financial statements of Hero FinCorp Limited for the year ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph [2(A)(f)] under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Hero FinCorp Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone 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 with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include 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 with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP
Chartered Accountants
(Firm's Registration No. 101248W/ W-100022)

Jiten Chopra
Partner
(Membership No. 092894)

Place: Gurugram
Date: 24 April 2019

Standalone Balance Sheet as at March 31, 2019
(All amounts are in Rupees Crore unless otherwise stated)

Particular	Note	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Assets				
Financial assets				
Cash and cash equivalents	4	106.66	0.26	2.64
Bank balance other than cash and cash equivalents	5	0.55	0.48	0.55
Trade receivables	6	4.34	5.78	10.28
Loans	7	19,215.68	13,158.06	9,650.56
Investments	8	961.87	57.47	57.42
Other financial assets	9	51.44	41.20	3.95
Non-financial assets				
Current tax assets (net)	10	16.25	10.11	9.50
Deferred tax assets (net)	11	176.41	122.92	69.86
Property, plant and equipment	12	78.31	95.01	97.66
Other intangible assets	12.1	16.61	14.49	7.44
Other non-financial assets	13	23.73	18.33	8.05
Total assets		**20,651.85**	**13,524.11**	**9,917.91**
Liabilities and equity				
Liabilities				
Financial liabilities				
Trade payables	14			
- Total outstanding dues of micro enterprises and small enterprises; and		0.02	0.08	0.05
- Total outstanding dues of creditors other than micro enterprises and small enterprises		116.17	72.14	54.75
Debt securities	15	6,781.25	5,672.09	3,002.83
Borrowings (other than debt securities)	16	9,117.52	4,813.65	4,467.95
Subordinated liabilities	17	424.10	300.00	200.00
Other financial liabilities	18	457.83	358.82	230.15
Non-financial liabilities				
Current tax liabilities (net)	19	33.53	14.87	21.97
Provisions	20	23.09	14.80	9.01
Other non-financial liabilities	21	31.83	25.78	11.99
Total liabilities		**16,985.34**	**11,272.23**	**7,998.70**
Equity				
Equity share capital	22	114.15	98.45	92.68
Other equity	23	3,552.36	2,153.43	1,826.53
Total equity		**3,666.51**	**2,251.88**	**1,919.21**
Total liabilities and equity		**20,651.85**	**13,524.11**	**9,917.91**
Significant accounting policies	**3**			

Notes to the standalone financial statements **1 to 45**

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

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Standalone Statement of Profit and Loss for the year ended March 31, 2019
(All amounts are in Rupees Crore unless otherwise stated)

Particulars	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	24		
Interest income		2,229.90	1,533.88
Dividend income		0.50	0.01
Profit on sale of investments		39.07	3.28
Rental income		17.48	22.85
Net gain on fair value changes		2.52	0.04
Insurance commission		0.48	-
Others charges		202.57	130.94
Total income		**2,492.52**	**1,691.00**
Expenses			
Finance costs	25	1,119.96	683.66
Impairment allowance on loans	26	136.90	136.15
Employee benefits expenses	27	208.18	144.27
Depreciation and amortization	12	24.05	26.50
Other expenses	28	589.77	485.20
Total expenses		**2,078.86**	**1,475.78**
Profit before tax		**413.66**	**215.22**
Tax expense:	11		
(i) Current tax		198.05	125.44
(ii) Tax adjustment relating to earlier year		-	(3.25)
(ii) Deferred tax (credit) (net)		(52.76)	(52.80)
Total tax expense		**145.29**	**69.39**
Net profit after tax from operations		**268.37**	**145.83**
Other comprehensive income/ (loss)			
Items that will not be reclassified to profit or loss:-			
Remeasurement of (losses) on defined benefit plans	31	(2.08)	(0.74)
Income tax impact on above	11	0.73	0.26
Other comprehensive income/ (loss) for the year, net of tax		(1.35)	(0.48)
Total comprehensive income/ (loss) for the year, net of tax		**267.02**	**145.35**
Earnings per equity share	29		
Basic (INR)		25.97	15.63
Diluted (INR)		25.92	15.61
Significant accounting policies	**3**		
Notes to the standalone financial statements	**1 to 45**		

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

As per our report of even date attached
For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of **Hero FinCorp Limited**

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain	**Shivendra Suman**
Chief Financial Officer	Company Secretary
(FCA: 110412)	(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Standalone Statement of Changes in Equity for the year ended March 31, 2019
(All amounts are in Rupees Crore unless otherwise stated)

A. Equity share capital

Particulars	Number of shares	Amount
Equity share of Rs 10 each, issued, subscribed and fully paid		
As at April 1, 2017	**92,679,716**	**92.68**
Issued during the year	5,765,905	5.77
As at March 31, 2018	**98,445,621**	**98.45**
Issued during the year	15,652,561	15.65
As at March 31, 2019	**114,098,182**	**114.10**
Equity share of Rs 10 each, issued, subscribed and partly paid (Rs 5 each called up and paid up)		
As at April 1, 2017	**-**	**-**
Issued during the year	-	-
As at March 31, 2018	**-**	**-**
Issued during the year	98,739	0.05
As at March 31, 2019	**98,739**	**0.05**
As at March 31, 2019	**114,196,921**	**114.15**

Standalone Statement of Changes in Equity for the year ended March 31, 2019
(All amounts are in Rupees Crore unless otherwise stated)

B. Other Equity

Particulars	Reserves and Surplus				Other comprehensive income/ (loss)	Stock Options Outstanding account	Money received against share warrant	Total
	Statutory reserve	Securities premium	General reserve	Retained earnings	Remeasurements of defined benefit plans			
As at April 1, 2017	103.02	1,429.43	49.85	141.63	-	-	102.60	1,826.53
Profit for the year	-	-	-	145.83	-	-	-	145.83
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(0.48)	-	-	(0.48)
Transfers to retained earnings	-	-	-	(0.48)	0.48	-	-	-
Total comprehensive income/ (loss)	103.02	1,429.43	49.85	286.98	-	-	102.60	1,971.88
Conversion of share warrants to equity shares	-	-	-	-	-	-	(102.60)	(102.60)
Dividend paid on equity shares	-	-	-	(13.90)	-	-	-	(13.90)
Dividend distribution tax on dividend	-	-	-	(2.83)	-	-	-	(2.83)
Transfers from retained earnings to statutory/ general reserve	32.50	-	16.25	(48.75)	-	-	-	-
Share issue expenses	-	(0.30)	-	-	-	-	-	(0.30)
Securities premium received	-	294.23	-	-	-	-	-	294.23
Share based payment charge	-	-	-	-	-	6.95	-	6.95
As at March 31, 2018	135.52	1,723.36	66.10	221.50	-	6.95	-	2,153.43
Profit for the year	-	-	-	268.37	-	-	-	268.37
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(1.35)	-	-	(1.35)
Transfers to retained earnings	-	-	-	(1.35)	1.35	-	-	-
Total comprehensive income/ (loss) for the year	135.52	1,723.36	66.10	488.52	-	6.95	-	2,420.45
Dividend paid on equity shares	-	-	-	(29.77)	-	-	-	(29.77)
Dividend distribution tax on dividend	-	-	-	(6.12)	-	-	-	(6.12)

Transfers from retained earnings to statutory/ general reserve	53.68	-	26.84	(80.52)	-	-	-	-
Share issue expenses	-	(1.56)	-	-	-	-	-	(1.56)
Securities premium received	-	1,161.92	-	-	-	-	-	1,161.92
Share based payment charge	-	-	-	-	-	7.44	-	7.44
As at March 31, 2019	189.20	2,883.72	92.94	372.11	-	14.39	-	3,552.36
Significant accounting policies	3							
Notes to the standalone financial statements	1 to 45							

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

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra
Partner
Mem. No: 092894

Pawan Munjal
Chairman
(DIN :- 00004223)

Renu Munjal
Managing Director
(DIN :- 00012870)

Abhimanyu Munjal
Jt.Managing Director & CEO
(DIN :- 02822641)

D. N. Davar
Director
(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 18339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Standalone statement of cash flow for the year ended March 31, 2019
(All amounts are in Rupees Crore unless otherwise stated)

	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
A.	**Cash flow from operating activities**		
	Profit before tax	**413.66**	**215.22**
	Adjustment for :		
	Depreciation and amortization	24.05	26.50
	Impairment allowance on loans	136.90	136.15
	Dividend income from investments	(0.50)	(0.01)
	Discount on commercial paper	306.46	144.90
	Bad debts written off	36.17	82.99
	Employee stock option expense	8.80	6.95
	Net loss on sale of property, plant and equipment	3.14	3.59
	Interest on fixed deposit and alternative investment fund	(1.61)	-
	Net gain on financial instruments at fair value through profit and loss	(2.52)	(0.04)
	Gain on sale of investments	(39.07)	(3.28)
	Operating loss before working capital changes and taxes	**885.48**	**612.97**
	Decrease in trade receivables	1.44	4.50
	(Increase) in loans	(6,230.70)	(3,726.65)
	(Increase)/ decrease in bank balance other than cash and cash equivalents	(0.07)	0.07
	(Increase) in other financial assets	(10.23)	(37.25)
	(Increase) in other non financial assets	(4.75)	(5.24)
	Increase in other financial liabilities	95.70	128.76
	Increase in trade payables	43.97	17.42
	Increase in other non financial liabilities	6.05	13.79
	Increase in provisions	6.21	5.05
	Net cash flow (used in) operation before adjustments of taxes	**(5,206.90)**	**(2,986.58)**
	Income tax paid	(185.53)	(129.90)
	Net cash flow (used in) operating activities (A)	**(5,392.43)**	**(3,116.48)**
B.	**Cash from investing activities**		
	Purchase of property, plant and equipment and other intangible assets	(20.45)	(47.30)
	Proceeds from sale of property, plant and equipment	9.14	7.68
	Dividend received	0.50	0.01
	Interest on fixed deposit and alternative investment fund	1.61	-
	Purchase of investments	(14,331.87)	(7,639.80)
	Sale of investments	13,469.06	7,643.08
	Net cash flow (used in) investing activities (B)	**(872.01)**	**(36.33)**

C.	**Cash flow from financing activities**		
	Proceeds from share issue and share warrants	1,176.06	197.10
	Debt securities issued	14,846.78	10,089.37
	Debt securities repaid	(14,044.08)	(7,565.01)
	Borrowings (other than debt securities) taken	6,288.86	2,275.00
	Borrowings (other than debt securities) repaid	(1,985.01)	(1,929.30)
	Subordinated liabilities issued (net of cost)	124.10	100.00
	Dividend paid	(29.77)	(13.90)
	Dividend distribution tax	(6.12)	(2.83)
	Net cash flow from financing activities (C)	**6,370.84**	**3,150.43**
D.	**Net increase / (decrease) in cash and cash equivalents (A+B+C)**	**106.40**	**(2.38)**
	Cash and cash equivalents at the beginning of the year	0.26	2.64
	Cash and cash equivalents at the end of the year*	**106.66**	**0.26**
	*Components of cash and cash equivalents		
	Balances with banks (current accounts)	56.66	0.26
	Deposit with banks (original maturity less than three months)	50.00	-
		106.66	**0.26**

(i) As per section 135 of the Companies Act, 2013, a Corporate Social Responsibility ("CSR") committee has been constituted by the Company and during the period an amount of INR 5.05 (March 31, 2018: INR 2.53) has been spent by the Company on CSR activities.

(ii) The Cash Flow Statement has been prepared in accordance with 'Indirect method' as set out in Ind AS - 7 on 'Statement of Cash Flows', as notified under Section 133 of the Companies Act 2013, read with the relevant rules thereunder. The borrowing from cash credit is revolving in nature and is disclosed on net basis under financing activities.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Notes Forming Part of the Financial Statements

Note 1: Corporate Information

Hero FinCorp Limited ("the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on 16 December 1991. The Company is registered as a Non-Banking financial (Non deposit accepting) Company, engaged in the business of financing, leasing, bill discounting and related financial services, with the Reserve Bank of India (Registration No. 14.00266). The address of the Company's registered office is 34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110057, India

Note 2: Basis of preparation

2.1 Statement of Compliance

These Standalone financial statements (herein after referred to as 'financial statements') have been prepared in accordance with the Indian Accounting Standard (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act. The standalone financial statements upto the year ended 31 March 2018 were prepared in accordance with the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (previous GAAP), notified under Section 133 of the Act and other relevant provisions of the Act.

As these financial instruments are the first financial statements under Ind AS, Ind AS 101, *First-time adoption of Indian Accounting Standards*, has been applied. Refer note 40 explaining the transition of financial position, financial performance and cash flows from previous GAAP to Ind AS.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

The financial statements were authorized for issue by the Company's Board of Directors on April 24, 2019.

2.2 Basis of measurement and presentation

These financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value (refer to accounting policies) such as Net defined (asset)/ liability present value of defined benefit obligations, investments carried at fair value through profit or loss and share-based payments. The method used to measured fair value are discussed further in notes to financial statements.

The Balance Sheet, the Statement of Change in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ("NBFCs") that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

2.3 Functional and presentation currency

These financial statements are prepared in Indian Rupees (INR), which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest Crore and two decimals thereof, except as stated otherwise.

2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Judgements, assumptions and estimation uncertainties

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which have a significant impact on the carrying amount of assets and liabilities at each balance sheet date:

Business model assessment

Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Impairment of financial assets: The Company establishes criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determines methodology for incorporating forward looking information into measurement of expected credit loss ('ECL') and selection of models used to measure ECL.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is carried out in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment of financial instruments:

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward looking information.

Effective Interest Rate (EIR) method

The Company's EIR methodology, recognizes interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

Measurement of defined benefit obligations: key actuarial assumptions.

The measurement of obligations related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the rate of future compensation increases, withdrawal rate, mortality rates etc. The management has used the past trends and future expectations in determining the assumptions which are used in measurements of obligations.

Recognition of deferred tax assets: The Company has recognized deferred tax assets/ (liabilities) and concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the experience and future projections. The Company is expected to generate adequate taxable income for liquidating these assets in due course of time.

Recognition and measurement of provisions and contingencies: The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Company's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

2.5 Measurement of fair value

The Company's accounting policies and disclosures require/ may require measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company measures financial instruments, such as, investments, at fair value at each reporting date. Also, fair value of financial instruments measured at amortized cost and FVTPL is disclosed in Note 38.

Note 3: Significant accounting policies

(a) Financial instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets - Classification

On initial recognition, a financial asset is classified as measured at either of:

- Amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset being 'debt instrument' is measured at the amortized cost, only if both of the following conditions are met and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

A financial asset being 'debt instrument' is measured at the FVTOCI if both of the following criteria are met and is not designated as at FVTPL:

- The asset is held within the business model, whose objective is achieved both by collecting contractual cash flows and selling the financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non recourse features)

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in Statement of Profit and Loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in Statement of Profit and Loss. Any gain or loss on derecognition is recognized in Statement of Profit and Loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in Statement of Profit and Loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to Statement of Profit and Loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to Statement of Profit and Loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in Statement of Profit and Loss. Any gain or loss on derecognition is also recognized in Statement of Profit and Loss. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Derecognition

Financial asset – derecognition due to substantial modification of terms and conditions

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Financial asset – derecognition other than due to substantial modification

A financial asset, such as a loan to a customer, is derecognised only when:

- the Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Derecognition - Financial liability

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in Statement of Profit and Loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its certain foreign currency risks. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each period. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

(b) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and financial assets measured at FVOCI- debt investments. At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired 'when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- breach of contract such as a default or being past due.

The Company applies the ECL model in accordance with Ind AS 109 for recognizing impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been significant increase in credit risk. When determining whether the risk of default on the financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Company's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Company categories financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

LGD estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrower will default on their obligation in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Company regularly reviews its models in the context of actual loss experience and make adjustments when such differences are significantly material.

The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in profit or loss.

After initial recognition, trade receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. The Company follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognized at each reporting date, right from initial recognition of the receivables.

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to Statement of Profit and Loss and is recognised in OCI.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(c) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the standalone statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(d) Property, plant and equipment

Initial recognition and measurement

The cost of an item of Property, plant and equipment is recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located.

Gains or losses arising from the retirement or disposal of a property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

The cost of fixed assets not ready for their intended use is recorded as capital work-in-progress before such date. Cost of construction that relate directly to specific fixed assets and that are attributable to construction activity in general and can be allocated to specific fixed assets are included in capital work-in-progress

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment (refer note 40)

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method as per useful life prescribed in Schedule II of the Act, and is generally recognised in the statement of profit and loss. Depreciation/ amortisation is charged on a pro-rata basis for assets acquired/sold during the year from/to the date of acquisition/sale.

Based on technical evaluation and assessment of useful lives, the management believes that its estimate of useful lives represent the period over which management expects to use these assets.

Depreciation method, assets residual values and useful lives are reviewed at each financial year end considering the physical condition of the assets for review and adjusted residual life prospectively.

(e) Intangible assets

Initial recognition and measurement

Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. The cost of such assets includes purchase price, licensee fee, import duties and other taxes and any directly attributable expenditure to bring the assets to their working condition for intended use. The Company's other intangible assets mainly include the value of computer software.

Amortization methods, estimated useful lives and residual value

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the statement of profit and loss.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software – 6 years

Subsequent expenditure is recognized as an increase in the carrying amount of the assets are carried when it is probable that future economic benefit deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognized as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets (refer note 40).

(f) Impairment of non–financial assets

The Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance cost.

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognized when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

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 year in which the change occurs.

(h) Revenue recognition

Interest Income

Interest income on a financial asset at amortised cost is recognised on a time proportion bases taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fee received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e the gross carrying amount less the allowance for ECLs).

Other financial charges

Penal interest or other overdue charges which are not included in EIR are recognised on receipt basis.

Dividend income

Dividend income is recognized when the right to received income is established. Usually, this is the ex-dividend date of quoted equity securities. This is generally when the shareholders approve the dividend.

Lease rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms.

(i) Employee benefits

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Benefits such as salaries, wages and bonus etc., are recognized in the Statement of Profit and Loss in the period in which the employee provides the related service.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Provident Fund: Provident fund is a defined contribution plan. The Company expenses its contributions towards provident fund which are being deposited with the Regional Provident Fund Commissioner.

Superannuation Fund: Contributions are made to a scheme administered by the Life Insurance Corporation of India to discharge superannuating liabilities to the employees, a defined contribution plan, and the same is expensed to the Statement of Profit and Loss. The Company has no liability other than its annual contribution.

Defined benefit plans

The Company's gratuity scheme is an unfunded defined benefit plan. The Company pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The present value of obligations under such defined benefit plans are based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognize 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 rate used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity period approximating to the terms of related obligations.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements. Changes due to service cost and net interest cost / income is recognized in the statement of profit and loss. Re-measurements of net defined benefit liability / (asset) which comprise of actuarial gains and losses are recognized in other comprehensive income.

Other long term employee benefits

Benefits under compensated absences constitute other employee benefits. Employee entitlements to annual leave are recognized when they accrue to the eligible employees. An accrual is made for the estimated liability for annual leave as a result of services provided by the eligible employees up to the Balance Sheet date. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Expenses are recognized immediately in the Statement of Profit and Loss.

Share based payments

The Company recognizes compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

(j) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognized based on contractual terms. Contingent rental payable is recognized as an expense in the period in which they it is incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(k) Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the statement of profit and loss.

Current tax assets and liabilities are offset only if, the Company:

a) has a legally enforceable right to set off the recognised amounts; and
b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

Deferred tax

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for all deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised.

Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

(l) Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency of the Company at the exchange rates prevailing on the date of the transaction. Exchange differences arising due to the differences in the exchange rate between the transaction date and the date of settlement of any monetary items are taken to the statement of profit and loss. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet and resultant gain/ loss is taken to the Statement of Profit and Loss.

(m) Dividends on ordinary shares

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

(n) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs).

All other borrowing costs are expensed in the period in which they occur.

(o) Earnings per share

Basic earnings per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares, expect where the results are anti-dilutive.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. The Company is engaged in the business of financing, leasing and related financial services. Accordingly, the Company's activities/ business is reviewed regularly by the Jt. Managing Director assisted by an executive committee from an overall business perspective, rather than reviewing its products/ services as individual standalone components. Based on the dominant source and nature of risks and returns of the Company, management has identified its business segment as its primary reporting format.

(q) Statement of Cash flows

The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

(r) Standards issued but not yet effective

Ind AS 116 Leases: The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases. The Company is currently evaluating the impact of Ind AS 116 on its financial statements.

Key Amendments to other Ind AS:

Ind AS 12, Income Taxes: Recognition of income tax consequences of dividends: Clarifies that the income tax consequences of distribution of profits (i.e. dividends), should be recognised when a liability to pay dividend is recognised. The income tax consequences should be recognised in the Statement of profit and loss, other comprehensive income or equity according to where the past transactions or events that generated distributable profits were originally recognised. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Ind AS 19, Employee Benefits: Clarifies that when a plan amendment, curtailment or settlement occurs: The updated actuarial assumptions used in re-measuring the plan are applied to determine the current service cost and net interest for the remainder of the annual reporting period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in OCI. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Ind AS 109, Financial Instruments: Prepayment Features with Negative Compensation: It allow particular financial assets with prepayment features that may result in negative compensation - e.g. the lender receives less than the par amount and accrued interest and affectively compensates the borrower for the borrowers early termination of the contract - to be measured at amortised cost or at FVOCI (subject to the business model assessment). Before the amendments, these instruments were measured at FVTPL because the SPPI criterion would not be met when the party that chooses to terminate the contract early may receive compensation for doing so.

The amendments clarify that irrespective of the event or circumstance that causes the early termination of the contract, either party may pay or receive reasonable compensation for that early termination. The amendments remove the requirement for the compensation to be 'additional'. Accordingly, a prepayment amount that is less than the unpaid amounts of principal and interest (or less than the contractual par amount plus accrued interest) may meet the SPPI criterion if it is determined to include reasonable compensation for early termination. The Company is currently assessing the impact of application of this amendment on the Company's financial statements.

Note 4: Cash and cash equivalents

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Balances with banks (current accounts)	56.66	0.26	2.64
Deposit with banks (original maturity less than three months)	50.00	-	-
Total	**106.66**	**0.26**	**2.64**

Note 5: Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Dividend accounts (earmarked accounts)	0.55	0.48	0.55
Total	**0.55**	**0.48**	**0.55**

Note 6: Trade receivables

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
(i) Receivables considered good - secured	-	-	-
(ii) Receivables considered good - unsecured	4.34	5.78	10.28
(iii) Receivables which have significant increase in credit risk	-	-	-
(iv) Receivables - credit impaired	-	-	-
	4.34	5.78	10.28
Less : Impairment loss allowance	-	-	-
Total	**4.34**	**5.78**	**10.28**

No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member. Refer note 35 for receivables from related parties.

Note 7: Loans

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
A. Loans - Amortised cost			
Loans other than bill purchased and bill discounted	19,068.05	13,000.85	9,477.62
Bills purchased and bills discounted	623.83	469.45	333.40
Loans to employees	5.17	9.78	11.87
Total- Gross (A)	19,697.05	13,480.08	9,822.89
Less : Impairment loss allowance on loans	(481.37)	(322.02)	(172.33)
Total - Net (A)	**19,215.68**	**13,158.06**	**9,650.56**
B. Secured/ Unsecured			
(a) Secured by tangible assets	15,004.65	10,902.54	8,197.98

(b) Secured by intangible assets	-	-	-
(c) Secured by other assets	1,236.04	451.33	227.11
(d) Covered by guarantees	-	-	-
(e) Unsecured	3,456.36	2,126.21	1,397.80
Total - Gross (B)	**19,697.05**	**13,480.08**	**9,822.89**
Less : Impairment loss allowance on loans	(481.37)	(322.02)	(172.33)
Total - Net (B)	**19,215.68**	**13,158.06**	**9,650.56**
C. Loans in India			
(a) Public sector	-	-	-
(b) Others	19,697.05	13,480.08	9,822.89
Total - Gross (C)	19,697.05	13,480.08	9,822.89
Less : Impairment loss allowance on loans	(481.37)	(322.02)	(172.33)
Total - Net (C)	**19,215.68**	**13,158.06**	**9,650.56**

Loans includes INR 233.40 (March 31, 2018: INR 159.00, April 1, 2017: INR 60.00) receivable from private companies in which a director is a director or a member (also refer note 35).

Interest income on stage 3 assets is calculated by applying the EIR at the amortised cost considering expected realisation of the income. Accordingly, interest income on stage 3 assets is recognized on net basis. Impairment allowance on interest income of stage 3 assets not expected to be realized amounting to INR 22.44 (March 31, 2018 INR 13.54) is netted off from interest income.

Note 8: Investments

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
A) In India			
At fair value through profit and loss account			
Mutual funds (unquoted)			
458,032.44 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value INR1,000 each of Reliance Money Market Fund - Direct Plan - Growth	130.05	-	-
486,173.47 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value INR1,000 fully paid up of Kotak Money Market Scheme - Direct Plan - Growth	150.06	-	-
26,872,473.99 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value INR 10 each of DSP Saving fund - Direct Plan - Growth	100.05	-	-
359,902.41 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value INR1,000 each of SBI Magnum Ultra Short Duration Fund - Direct Plan - Growth	150.05	-	-
Commercial paper (unquoted)	73.76	-	-
1,500 (March 31, 2018: Nil, April 1, 2017: Nil) units of INR500,000 fully paid up of Axis Finance Limited			
Equity instruments (quoted)			
1,370 (March 31, 2018 : 1,370, April 1, 2017 : 1,370) shares of INR 2 each fully paid up in Hero MotoCorp Ltd	0.35	0.49	0.44
Equity instruments (unquoted)			

7,482,251 (March 31, 2018 : 7,482,251, April 1, 2017 : 7,482,251) shares of INR 10 each fully paid up in Forum I Aviation Ltd	6.98	6.98	6.98
Preference instruments(quoted)			
18,000,000 (March 31, 2018: Nil, April 1, 2017: Nil) preference shares of INR 5 each fully paid in 8% Kotak Mahindra Bank Limited	9.00	-	-
Alternative investment Fund (unquoted)			
824,430 (March 31, 2018: Nil, April 1, 2017: Nil) units of INR1,000 KKR India Debt Opportunity Fund II	91.57	-	-
Others (Refer note 8.1 below)			
Equity instruments (unquoted) (at cost)			
250,000,000 (March 31, 2018 : 5,000,000, April 1, 2017 : 5,000,000) shares of INR 10 each fully paid up in subsidiary (Hero Housing Finance Limited)	250.00	50.00	50.00
Total- Gross	961.87	57.47	57.42
Less: Allowance for impairment	-	-	-
Total- Net	**961.87**	**57.47**	**57.42**
Aggregate amount of quoted investments	9.35	0.49	0.44
Aggregate amount of unquoted investments	952.52	56.98	56.98
Aggregate book value of quoted investments	9.35	0.49	0.44

8.1 The Company has elected to account for investment in subsidiary at cost in accordance with Ind AS 27.

Note 9: Other financial assets

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured, consider good unless otherwise stated			
Security deposits (at amortised cost)	3.81	2.34	1.52
Receivable from collection agency	46.80	38.86	2.43
Others	0.83	-	-
Total	**51.44**	**41.20**	**3.95**

Note 10: Current tax assets (net)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Advance income tax [net of provision for tax Rs 401.42 (March 31, 2018: Rs.275.92, April 1, 2017 Rs.178.96)]	16.25	10.11	9.50
Total	**16.25**	**10.11**	**9.50**

Note 11: Deferred tax assets (net)

A. Amounts recognised in Statement of profit and loss

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current tax (a)		
Current year	198.05	125.44
Tax adjustment relating to earlier year	-	(3.25)
Deferred tax (b)		
Attributable to-		
Origination and reversal of temporary differences	(52.76)	(52.80)
Tax expense recognised in Statement of profit and loss	**145.29**	**69.39**

B. Income tax recognised in other comprehensive income

Particulars	For the year ended March 31, 2019			For the year ended March 31, 2018		
	Before tax	Deferred tax	Net of tax	Before tax	Deferred tax	Net of tax
Remeasurements of defined benefit liability	(2.08)	0.73	(1.35)	(0.74)	0.26	(0.48)

C. Reconciliation of effective tax expense

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before tax	**413.66**	**215.22**
Other comprehensive income/ (loss) for the year	(2.08)	(0.74)
Tax using the Company's domestic tax rate	143.82	74.23
Effect of:		
Non-deductible expenses and exempt income	0.90	0.44

Interest income recognised on stage 3 loans	-	(4.69)
Others	(0.16)	(0.85)
Effective tax expense	**144.56**	**69.13**

D. Recognised deferred tax assets/ (liabilities)

Deferred tax assets/ (liabilities) are attributable to the following:

	Deferred tax assets			Deferred tax liabilities		
	As at March 31, 2019	**As at March 31, 2018**	**As at April 1, 2017**	**As at March 31, 2019**	**As at March 31, 2018**	**As at April 1, 2017**
Provisions for employee benefit	8.13	5.45	3.27	-	-	-
Depreciation*	-	-	-	0.28	1.00	2.12
Impairment allowance on loans	140.28	96.24	52.89	-	-	-
Effect of EIR on interest income	31.15	22.14	15.60	-	-	-
Other temporary differences	7.55	3.13	1.71	10.42	3.04	1.49
Net deferred tax (assets)/ liabilities	**187.11**	**126.96**	**73.47**	**10.70**	**4.04**	**3.61**

E. Movement in deferred tax on temporary differences

	Balance as at April 1, 2017	**Recognised in profit or loss during 2017-18**	**Recognised in OCI during 2017-18**	**Balance as at March 31, 2018**	**Recognised in profit or loss during 2018-19**	**Recognised in OCI during 2018-19**
Provisions for employee benefit	3.27	1.92	0.26	5.45	1.95	0.73
Depreciation*	(2.12)	1.12	-	(1.00)	0.72	-
Impairment allowance on loans	52.89	43.35	-	96.24	44.04	-
Effect of EIR on interest income	15.60	6.54	-	22.14	9.01	-
Other temporary differences	0.22	(0.13)	-	0.09	(2.96)	-
Net deferred tax (assets)/ liabilities	**69.86**	**52.80**	**0.26**	**122.92**	**52.76**	**0.73**

* Difference between Written Down Value (WDV) of property, plant and equipment and other intangible assets as per books and under Income Tax Act 1961.

Note 12: Property, plant and equipment

Particulars	Own use						Assets given on operating lease			Total
	Building	Plant and equipment	Furniture and fixtures	Vehicles	Data processing equipment	Office equipment	Plant and equipment	Computers	Vehicles	
Cost *										
At April 1, 2017	**3.58**	**0.97**	**0.41**	**13.68**	**8.83**	**0.84**	**8.35**	**0.09**	**60.91**	**97.66**
Additions during the year	-	-	0.22	4.81	17.08	0.47	-	-	7.10	29.68
Disposals during the year	-	-	-	1.34	0.39	-	0.08	0.02	11.00	12.83
At March 31, 2018	**3.58**	**0.97**	**0.63**	**17.15**	**25.52**	**1.31**	**8.27**	**0.07**	**57.01**	**114.51**
Additions during the year	-	-	1.07	4.83	7.64	1.87	-	-	-	15.41
Disposals during the year	-	0.14	0.18	1.94	0.09	0.07	8.27	-	9.08	19.77
At March 31, 2019	**3.58**	**0.83**	**1.52**	**20.04**	**33.07**	**3.11**	**-**	**0.07**	**47.93**	**110.15**
Depreciation										
At April 1, 2017	-	-	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	0.09	0.14	-	0.04	-	1.29	1.56
Depreciation charge for the year	0.06	0.08	0.06	2.34	6.06	0.27	2.92	-	9.27	21.06
At March 31, 2018	**0.06**	**0.08**	**0.06**	**2.25**	**5.92**	**0.27**	**2.88**	**-**	**7.98**	**19.50**
Disposals during the year	-	0.02	0.04	0.65	0.04	0.05	4.61	-	2.08	7.49
Depreciation charge for the year	0.06	0.08	0.11	2.57	7.52	0.43	1.73	-	7.33	19.83
At March 31, 2019	**0.12**	**0.14**	**0.13**	**4.17**	**13.40**	**0.65**	**-**	**-**	**13.23**	**31.84**
Net carrying amount										
Balance as at April 1, 2017	**3.58**	**0.97**	**0.41**	**13.68**	**8.83**	**0.84**	**8.35**	**0.09**	**60.91**	**97.66**
Balance as at March 31, 2018	**3.52**	**0.89**	**0.57**	**14.90**	**19.60**	**1.04**	**5.39**	**0.07**	**49.03**	**95.01**
Balance as at March 31, 2019	**3.46**	**0.69**	**1.39**	**15.87**	**19.67**	**2.46**	**-**	**0.07**	**34.70**	**78.31**

*The Company has elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, as deemed cost as at the date of transition (i.e. April 1, 2017).

12.1. Other intangible assets

Particulars	Computer software
Cost*	
Balance as at April 1, 2017	**7.44**
Additions during the year	12.49
Disposals during the year	-
Balance as at March 31, 2018	**19.93**
Additions during the year	6.34
Disposals during the year	-
Balance as at March 31, 2019	**26.27**
Accumulated amortisation/ impairment	
Balance as at April 1, 2017	-
Disposals during the year	-
Amortisation charge for the year	5.44
Balance as at March 31, 2018	**5.44**
Disposals during the year	
Amortisation charge for the year	4.22
Balance as at March 31, 2019	**9.66**
Net carrying amount	
Balance as at April 1, 2017	**7.44**
Balance as at March 31, 2018	**14.49**
Balance as at March 31, 2019	**16.61**

*The Company has elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its other intangible assets as recognised in the financial statements as at the date of transition to Ind AS, as deemed cost as at the date of transition (i.e. April 1, 2017).

Note 13: Other non-financial assets

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured, consider good unless otherwise stated			
Capital advances	6.02	5.37	0.33
Prepaid expenses	14.84	7.71	4.09
Balance with government authorities	-	-	0.74
Others	2.87	5.25	2.89
Total	**23.73**	**18.33**	**8.05**

Note 14: Trade payables

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Trade payables			
(i) Total outstanding dues of micro enterprises and small enterprises; and	0.02	0.08	0.05
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	116.17	72.14	54.75
Total	**116.19**	**72.22**	**54.80**

14.1 Disclosures relating to Micro, Small and Medium Enterprises Development Act, 2006 are as follows:

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.02	0.08	0.05
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-	
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-	-
(iv) The amount of interest due and payable for the year	-	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-	-
Total	**0.02**	**0.08**	**0.05**

14.2 Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 15: Debt securities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Debt securities (at amortised cost) - in India			
Secured			
Redeemable non-convertible debentures (refer note 15.1, 15.2 and 15.3 below)	2,790.19	2,889.40	1,454.40
Unsecured			
Commercial papers (refer note 15.4 below)	3,991.06	2,782.69	1,548.43
Total	**6,781.25**	**5,672.09**	**3,002.83**

15.1 27,410 (March 31, 2018: 28,894, April 1, 2017: 14,544) privately placed secured redeemable fully paid non-convertible debentures of Rs. 1,000,000 each aggregating Rs. 2,741.00 (March 31, 2018: Rs 2,889.40, April 1, 2017: Rs.1,454.40) carry interest rate ranging from 7.60% p.a. to 9.60% p.a. (March 31, 2018: 7.60% p.a. to 8.98% p.a., April 1, 2017: 7.73% p.a. to 8.98% p.a.). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.2 2,500 (March 31, 2018: Nil, April 1, 2017: Nil) privately placed secured redeemable partly paid non-convertible debentures of Rs.1,000,000 each paid up to the extent of Rs. 200,000 aggregating Rs. 50.00 (March 31, 2018: Rs Nil, April 1, 2017: Nil) carry interest rate of 9.55% p.a. (March 31, 2018: Nil, April 1, 2017: Nil.). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.3 Terms of privately placed secured redeemable non convertible debentures :

Tenor from the date of Balance Sheet	Periodicity	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
> 60 months	Bullet payment	50.00	-	-
>48 < = 60 months	Bullet payment	-	85.00	12.00
>36 < = 48 months	Bullet payment	85.00	207.00	50.00
>24 < = 36 months	Bullet payment	232.00	1,185.00	434.00
>24 < = 36 months	Annual	30.00	-	-
>12 < = 24 months	Bullet payment	1,690.00	634.00	778.40
>12 < = 24 months	Annual	35.00	-	-
Up to 12 months	Bullet payment	634.00	778.40	180.00
Up to 12 months	Annual	35.00	-	-
Less: Adjustments towards EIR		(0.81)	-	-
Total		**2,790.19**	**2,889.40**	**1,454.40**

15.4 Commercial papers are repayable within 12 months and issued at a discount rate ranging from 7.60% p.a. to 9.32% p.a. (March 31, 2018: 6.95% p.a. to 8% p.a., April 1, 2017 : 6.70% p.a. to 8.5% p.a.)

15.5 No non-convertible debentures and commercial papers is guaranteed by directors and / or others.

15.6 During the period presented there were no defaults in the repayment of principal and interest.

Note 16: Borrowings (other than debt securities)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
At amortised cost			
Term loan from banks (Secured) (refer note 16.1)	7,431.67	3,701.68	3,303.34
External commercial borrowing (Secured) (refer note 16.3)	200.00	-	-
Loan repayable on demand from banks			
- Cash credit (Secured) (refer note 16.2)	1,070.85	835.92	1,158.94
- Working capital demand loans (Secured) (refer note 16.2)	390.00	210.00	-
- Cash credit (Unsecured) (refer note 16.2)	-	1.05	5.67
- Working capital demand loans (Unsecured) (refer note 16.2)	25.00	65.00	-
Total	**9,117.52**	**4,813.65**	**4,467.95**
Borrowing in India	8,917.52	4,813.65	4,467.95
Borrowing Outside India	200.00	-	-
Total	**9,117.52**	**4,813.65**	**4,467.95**

16.1 Secured term loans from banks aggregating Rs 7,431.67 (March 31, 2018: Rs 3,701.68, April 1, 2017: Rs 3,303.34) carrying interest rate ranging from 8.30% p.a. to 10% p.a (March 31, 2018 7.55% p.a.to 8.65% p.a. April 1, 2017 7.85% p.a. to 9.65% p.a.) are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
> 60 months	Semi annually	40.00	-	-
>48 < = 60 months	Annual	60.00	-	-
>48 < = 60 months	Semi annually	686.25	425.00	437.50
>48 < = 60 months	Quarterly	80.00	-	-
>36 < = 48 months	Annual	60.00	-	50.00
>36 < = 48 months	Semi annually	1,251.25	987.50	970.00
>36 < = 48 months	Quarterly	267.50	-	-
>24 < = 36 months	Bullet	300.00	300.00	250.00
>24 < = 36 months	Annual	10.00	50.00	50.00
>24 < = 36 months	Semi annually	1,363.75	870.00	707.50
>24 < = 36 months	Quarterly	475.83	-	-
>12 < = 24 months	Bullet	300.00	250.00	100.00
>12 < = 24 months	Annual	60.00	50.00	-
>12 < = 24 months	Semi annually	991.25	457.50	286.68
>12 < = 24 months	Quarterly	459.17	-	50.00
Up to 12 months	Bullet	250.00	-	-
Up to 12 months	Annual	60.00	-	200.00
Up to 12 months	Semi annually	457.50	261.68	101.66
Up to 12 months	Quarterly	259.17	50.00	100.00
Total		**7,431.67**	**3,701.68**	**3,303.34**

16.2 The cash credit facilities are repayable on demand and carry interest rates ranging from 8.30% p.a. to 11.05% p.a (March 31, 2018: 7.35% p.a. to 8.80% p.a, April 1, 2017: 7.70% p.a. to 9.25% p.a). Working capital demand loans are repayable on demand and carrying interest rates ranging from 8.25% p.a. to 8.80% p.a. (March 31, 2018: 7.26% p.a to 8.00%, April 1, 2017: Nil). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. The secured facilities are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

16.3 External commercial borrowings carry interest rate 8.71% p.a. are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
>24 < = 36 months	Bullet	200.00	-	-

16.4 No term loans, cash credit, working capital demand from banks and any other borrowing is guaranteed by directors and / or others.

16.5 During the periods presented, there were no defaults in the repayment of principal and interest.

Note 17: Subordinated liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
At amortised cost			
Subordinated liabilities (unsecured) in India			
Redeemable non-convertible debentures-Tier II (refer note 17.1 and 17.2 below)	424.10	300.00	200.00
Total	**424.10**	**300.00**	**200.00**

17.1 Terms of privately placed unsecured redeemable non-convertible debentures-Tier II .

Tenor from the date of balance sheet	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
>60 months#	425.00	300.00	200.00
Less: Adjustments towards EIR	(0.90)	-	-
Total	**424.10**	**300.00**	**200.00**

Term of repayment is bullet.

17.2 4,250 (March 31, 2018: 3,000, April 1, 2017: 2,000) privately placed unsecured redeemable non-convertible debentures Tier II of Rs. 1,000,000 each aggregating Rs. 425 (March 31, 2018 : Rs 300 , April 1, 2017 Rs. 200) carrying interest ranging from 8.52% p.a. to 9.81% p.a. (March 31, 2018 : 8.52% p.a. to 9.35% p.a., April 1, 2017: 8.98% p.a. to 9.35% p.a.) and are subordinated in nature of claim.

17.3 No subordinate debts is guaranteed by directors and /or others.

17.4 During the period presented there were no defaults in the repayment of principal and interest.

Note 18: Other financial liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Interest accrued but not due on :			
- Debt securities	216.00	165.28	83.00
- Borrowings	14.13	10.01	8.91
- Subordinated liabilities	21.53	17.68	11.03
Unclaimed dividend (refer note 18.1 below)	0.55	0.48	0.55
Book overdrafts	53.02	106.32	69.74
Other payables			
Payable on purchase of property, plant and equipment and other intangible assets	1.95	-	0.09
Salaries and wages payable	30.96	15.20	10.87
Security deposits	0.42	0.53	0.59
Loans pending disbursement	63.08	22.72	38.38
Margin money from customers	24.12	13.27	6.53
Others	32.07	7.33	0.46
Total	**457.83**	**358.82**	**230.15**

18.1 Unclaimed dividend does not include any amount outstanding as on March 31, 2019, March 31, 2018 and April 1, 2017 which are required to be credited to the Investor Education and Protection

Note 19: Current tax liabilities (net).

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Provision for income tax [net of advance tax Rs 164.46 (March 31, 2018: Rs.110.63, April 1, 2017 Rs.78.20)]	33.53	14.87	21.97
Total	**33.53**	**14.87**	**21.97**

Note 20: Provisions

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Provision for employee benefits			
-Provision for gratuity (refer note 31.2)	12.09	7.74	5.29
-Provision for compensated absences	11.00	7.06	3.72
Total	**23.09**	**14.80**	**9.01**

Note 21: Other non-financial liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Lease equalisation reserve	-	0.96	0.91
Unamortised interest on margin money deposits	12.72	7.46	3.76
Statutory dues payable	19.11	17.36	7.32
Total	**31.83**	**25.78**	**11.99**

Note 22: Equity share capital

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorised						
Equity shares of Rs.10 each	150,000,000	150.00	150,000,000	150.00	150,000,000	150.00
	150,000,000	**150.00**	**150,000,000**	**150.00**	**150,000,000**	**150.00**
Issued						
Equity shares of Rs.10 each	114,196,921	114.20	98,445,621	98.45	92,679,716	92.68
	114,196,921	**114.20**	**98,445,621**	**98.45**	**92,679,716**	**92.68**
Subscribed						
Equity shares of Rs.10 each (fully paid up)	114,098,182	114.10	98,445,621	98.45	92,679,716	92.68
Equity shares of Rs.10 each (partly paid up: Rs.5 each)	98,739	0.05	-	-	-	-
Total	**114,196,921**	**114.15**	**98,445,621**	**98.45**	**92,679,716**	**92.68**

22.1 Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period

Particulars	For the year ended March 31, 2019 Number of Shares	Amount	For the year ended March 31, 2018 Number of Shares	Amount
Equity shares of Rs. 10 each				
Opening balance	98,445,621	98.45	92,679,716	92.68
Issued during the year Rs.10 each (fully paid up)	15,652,561	15.65	5,765,905	5.77
Issued during the year Rs.10 each (partly paid up: Rs 5 each)	98,739	0.05	-	-
Outstanding at the end of the year	**114,196,921**	**114.15**	**98,445,621**	**98.45**

22.2 During the year, the Holding Company has made a rights issue of 15,751,300 equity share of Rs. 10 each at a premium of Rs.740 per share in the ratio of four equity shares for every twenty five equity shares held on the record date. The Holding Company has received final call money for all equity shares except for 98,739 equity shares against which Rs. 375 per share is outstanding.

During the previous year 5,765,905 equity shares of Rs. 10 each were issued and allotted as fully paid up at an exercise price of Rs. 520.30 (including premium of Rs. 510.30) per equity share on conversion of 5,765,905 share warrants to specific promotors on preferential basis.

22.3 Terms/ rights, preference and restriction attached to equity shares of Rs 10 each

(i) The Holding Company has only one class of equity share having face value of Rs.10 per share. Each holder of equity share is entitled to one vote per share held.

(ii) The dividend proposed by the Board of Directors which is subject to approval of shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.

(iii) In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Holding Company after distribution of all preferential amount, in proportion to capital paid upon such equity share.

22.4 Detail of shareholder holding more than 5% shares in the Holding Company:

Name of Shareholder	As at March 31, 2019 Number of Shares held	% of Holding	As at March 31, 2018 Number of Shares held	% of Holding	As at April 1, 2017 Number of Shares held	% of Holding
Equity shares						
Hero MotoCorp Ltd.	47,032,574	41.18	40,388,576	41.03	38,343,025	41.37
Bahadur Chand Investment Pvt. Ltd.	23,213,837	20.33	17,761,914	18.04	17,761,914	19.16
Otter Limited	12,057,765	10.56	10,790,890	10.96	10,790,890	11.64
Mr. Pawan Munjal (refer note 22.5 below)	3,608,812	3.16	3,608,812	3.67	3,009,350	3.25
Ms. Renu Munjal (refer note 22.5 below)	4,094,737	3.59	4,094,737	4.16	3,495,275	3.77
Ms. Santosh Munjal (refer note 22.5 below)	323,600	0.28	323,600	0.33	323,600	0.35
Mr. Suman Kant Munjal (refer note 22.5 below)	4,094,737	3.59	4,094,737	4.16	3,495,275	3.77
Total Brijmohan Lall Om Parkash (Partnership firm)	**12,121,886**	**10.62**	**12,121,886**	**12.32**	**10,323,500**	**11.14**

22.5 Holding shares on behalf of Brijmohan Lall Om Prakash (partnership firm)

22.6 There are no shares issued by way of bonus shares or issued for consideration other than cash and no shares were bought back during the period of 5 years immediately preceding the reporting date.

22.7 Employee stock options

Terms attached to stock options granted to employees are described in Note-43 regarding share-based payments.

Note 23: Other equity

	As at March 31, 2019	As at March 31, 2018
Securities premium		
Opening balance as at reporting date	**1,723.36**	**1,429.43**
Add: Additions during the year	1,161.92	294.23
Less: Share issue expenses	(1.56)	(0.30)
Closing balance as at reporting date	**2,883.72**	**1,723.36**
Statutory reserve		
Opening balance as at reporting date	**135.52**	**103.02**
Add: Transferred from retained earnings	53.68	32.50
Closing balance as at reporting date	**189.20**	**135.52**
Stock options outstanding account		
Opening balance as at reporting date	**6.95**	-
Add: Charge during the year	7.44	6.95
Closing balance as at reporting date	**14.39**	**6.95**
General reserve		
Opening balance as at reporting date	**66.10**	**49.85**
Add: Transfer from retained earning	26.84	16.25
Closing balance as at reporting date	**92.94**	**66.10**
Money received against share warrant		
Opening balance as at reporting date	-	**102.60**
Less: Conversion to equity share capital	-	(102.60)
Closing balance as at reporting date	-	-
Other comprehensive income/ (loss)		
Opening balance as at reporting date	-	-
Add: Other comprehensive income/ (loss) for the year	(1.35)	(0.48)
Less: Transferred to retained earnings	1.35	0.48
Closing balance as at reporting date	-	-
Retained earnings		
Opening balance as at reporting date	**221.50**	**141.63**
Add: Profit for the year	268.37	145.83
Less: Other comprehensive income/ (loss) for the year	(1.35)	(0.48)
Less: Dividend paid on equity shares	(29.77)	(13.90)

Less: Dividend distribution tax	(6.12)	(2.83)
Less: Transfers to general reserves	(26.84)	(16.25)
Less: Transfers to statutory reserve	(53.68)	(32.50)
Closing balance as at reporting date	**372.11**	**221.50**
Total	**3,552.36**	**2,153.43**

Nature of reserve :

Statutory reserve :

Statutory reserve is used to record reserve in accordance with section 45-IC of the Reserve Bank of India Act, 1934. The statutory reserves can be utilised for the purpose as specified by the RBI from time to time.

Securities premium reserve:

Securities premium reserve is used to record the premium on issuance of shares. The reserve can be utilised as per the provision of the Act.

General reserve:

Free reserve to be utilized as per provision of the Act.

Retained earnings:

Retained earnings is used to record profit for the year. This amount is utilised as per the provision of Act

Stock options outstanding account:

Stock option outstanding account is used to record the impact of employee stock option scheme. Refer note 43 for further detail of this plan.

Note 24: Revenue from operations

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest on:		
- Loans (at amortised cost)	2,228.29	1,533.88
- Fixed deposit and alternative investment fund	1.61	-
Dividend income	0.50	0.01
Profit on sale of investments	39.07	3.28
Rental income	17.48	22.85
Net gain/ (loss) on financial instruments at fair value through profit and loss	2.52	0.04
Insurance commission	0.48	-
Others charges	202.57	130.94
Total	**2,492.52**	**1,691.00**

Note 25: Finance costs

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest expense on financial liabilities measured at amortised cost		
- Interest on debt securities	543.47	366.55
- Interest on borrowings (other than debt securities)	545.71	292.13
- Interest on subordinated liabilities	30.78	24.98
Total	**1,119.96**	**683.66**

Note 26: Impairment allowance on loans

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Impairment allowance on loans	136.90	136.15
Total	**136.90**	**136.15**

Note 27: Employee benefits expenses

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	181.20	124.70
Contribution to provident and other funds [refer note 31.1]	8.67	6.75
Employee share based payment expense (refer note 43)	8.80	6.95
Gratuity expense [refer note 31.2]	2.53	1.92
Staff welfare expenses	6.98	3.95
Total	**208.18**	**144.27**

Note 28: Other expenses

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Rent	14.55	9.92
Rates and taxes	1.14	0.05
Insurance	5.69	4.46
Repairs and maintenance		
-Building	3.61	1.32
-Vehicle	0.33	0.55
Contractual staff cost	72.59	63.25
Recruitment and training	7.88	6.46
Loan processing fee	5.95	5.44
Communication	9.98	7.45
Printing and stationery	6.42	4.75
Bank charges	24.44	16.73
Travelling and conveyance	22.89	18.77
Loss on sale of property, plant and equipment (net)	3.14	3.59
Advertisement and marketing	4.31	3.00
Information technology	52.40	29.47
Loan collection charges	280.72	196.15
Legal and professional (refer note 28.1 below)	15.55	16.70
Settlement loss and bad debts written off	36.17	82.99
Expenditure towards corporate social responsibility (CSR) (refer note 28.2 below)	5.05	2.53
Miscellaneous	16.96	11.62
Total	**589.77**	**485.20**

28.1: Auditor's remuneration

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Audit fee	0.42	0.28
Limited review	0.12	0.10
Tax audit fee	0.05	0.03
Certification fees	0.05	0.03
Others	0.03	0.05
Out of pocket expenses	0.01	0.01
Total	**0.68**	**0.50**

28.2: Details of corporate social responsibility expenditure

a) Gross amount required to be spent by the Company		**3.79**
b) Amount spent during the year ending March 31, 2019 :	**In Cash**	**Yet to be paid**
i) Construction/acquisition of any assets	-	-
ii) On purpose other than (i) above	5.05	
a) Gross amount required to be spent by the Company		**2.50**
b) Amount spent during the year ending March 31, 2018 :	**In Cash**	**Yet to be paid**
i) Construction/acquisition of any assets	2.53	-
ii) On purpose other than (i) above	-	-

Note 29: Earnings per equity share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year. The following table shows the income and share data used in the basic and diluted EPS calculations:

Particulars	As at March 31, 2019	As at March 31, 2018
Net profit for the year **(A)**	268.37	145.83
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	98,445,621	92,679,716
Number of equity shares issued during the year	15,751,300	5,765,905
Number of equity shares outstanding at the end of the year	114,196,921	98,445,621
Nominal value of equity share	10	10
Weighted average number of equity shares outstanding during the year **(B)**	103,342,816	93,280,002
Basic earnings per share of face value of Rs. 10 each **(A)/(B)**	25.97	15.63
Weighted average number of potential dilutive equity shares **(C)**	103,555,556	93,431,242
Dilutive earnings per share of face value of Rs. 10 each **(A)/(B+C)**	25.92	15.61
Weighted average number of equity shares (diluted)		
Weighted average number of equity shares outstanding during the year	103,342,816	93,280,002
Add: Number of potential equity share in respect of employee stock option scheme	212,740	151,240
Weighted average number of potential dilutive equity shares	103,555,556	93,431,242

Note 30: Operating segment

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. The Company is engaged in the business of financing, leasing and related financial services. Accordingly, the Company's activities/business is regularly reviewed by the Company's Jt.Managing Director assisted by an executive committee from an overall business perspective, rather than reviewing its product/services as individual standalone components. Thus, the Company has only one operating segment, and no reportable segments in accordance with Ind AS 108 Operating Segments.

a) The Entity wide disclosures as required by Ind AS 108 are as follows ;

Information about products and services:

The Company provides a wide portfolio of financial products including two-wheeler loan, Pre-owned car loan, loyalty personal loan, inventory funding, loan against property, loans to small, medium and emerging corporates etc.

b) Revenue from external customers

The entire income of the Company is generated from customers who are domiciled in India.

c) Revenue from external customer

The Company does not derives revenues, from any single customer, amounting to 10 per cent or more of Company's revenues.

Note 31: Retirement benefit plan

31.1 Defined contribution plans

The Company makes periodic contribution towards provident fund, superannuation fund and national pension scheme which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the statement of profit and loss as they accrue. The amount recognized as expense towards such contribution are as follows:

	Year ended March 31, 2019	Year ended March 31, 2018
Employer's contribution to provident fund	7.86	6.07
Employer's contribution to superannuation fund	0.56	0.47
Employer's contribution to national pension scheme	0.25	0.21

31.2 Defined benefit plan

The Company operates an unfunded gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death, whichever is earlier. The benefit vests after five year of continuous service. The benefit to employees is as per the plan rules or as per the Payment of Gratuity Act, 1972, whichever is earlier.

i) Reconciliation of the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

Particulars	As at March 31, 2019	As at March 31, 2018
Balance at the beginning of the year	7.74	5.29
Included in statement of profit and loss account :		
Current service cost	1.94	1.52
Interest expense	0.60	0.40
Benefits paid	(0.27)	(0.21)
	10.01	**7.00**
Remeasurement gains/(losses) in other comprehensive income (OCI)		
Actuarial loss/(gain) arising from :		
- demographic assumptions	(0.80)	-
- financial assumptions	2.73	(0.15)
- experience adjustment	0.15	0.89
	2.08	**0.74**
Other		
Contributions paid by the employer	-	-
Balance at the end of the year	**12.09**	**7.74**
Current liability	**5.79**	**4.32**
Non-current liability	**6.30**	**3.42**
	12.09	**7.74**

Since the liability is not funded, Therefore information with regards to the plan assets has not been furnished.

ii) Expense recognised in statement of profit and loss account :

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current service cost	1.93	1.52
Net interest expense/ (income)	0.60	0.40
Total	**2.53**	**1.92**

iii) Expense recognised in Other comprehensive income/ (loss):

Particulars	As at March 31, 2019	As at March 31, 2018
Remeasurement gains/(losses)		
Actuarial loss (gain)/arising from :		
- demographic assumptions	(0.80)	-
- financial assumptions	2.73	(0.15)
- experience adjustment	0.15	0.89
Total	**2.08**	**0.74**

iv) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Discount rate	7.35%	7.80%	7.54%
Withdrawal rate			
Up to 30 years	20.00%	3.00%	3.00%
31 - 44 years	15.00%	2.00%	2.00%
Above 44 years	5.00%	1.00%	1.00%
Mortality (% of IALM 06-08)	100%	100%	100%
Retirement age (years)	58	58	58
Future salary growth*	7-12%	5.50%	5.50%

*The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market etc.

v) Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (- / + 1%)	11.52	12.73	7.23	8.36	5.14	5.46
Salary growth rate (- / + 1%)	12.71	11.52	8.37	7.22	5.46	5.14
Attrition rate (- / + 50%)	11.65	12.55	7.78	7.70	-	-
Mortality rate (- / + 10%)	12.09	12.09	7.75	7.74	-	-

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

vi) Expected contribution during the next annual reporting period

Since the scheme is managed on unfunded basis, the next year contribution is taken as Nil (March 31, 2018: Nil)

vii) Expected maturity analysis of the defined benefit plans in future years (valued on undiscounted basis)

Duration (years)	As at March 31, 2019	As at March 31, 2018
within the next 12 months	5.79	4.32
Between 2 to 5 years	2.95	0.49
Above 5 years	10.64	12.90

As at March 31, 2019, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2018: 7 years)

31.3 Other long term employee benefit plan

Other long term employee benefit plans comprises compensated absences. The Company operates compensated absences plan (earned leaves), where in every employee is entitled to the benefit equivalent to 13 days salary for every completed year of service which is subject to maximum of 90 days accumulation of leaves. The same is payable during early retirement, withdrawal of scheme, resignation by employee and upon death of employee. The Company also recognises sick leave provision, where in every employee is entitled to the benefit equivalent to 6 days salary for every completed year of service which is subject to maximum of 20 days accumulation of leaves. The salary for calculation of earned leave and sick leaves are last drawn basic salary. The amount of the provision is Rs. 11.00 (March 31, 2018: Rs. 7.06, April 1, 2017: Rs.3.72) as per the actuarial report.

Note 32: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. Loans is net of impairment loss allowance on loans considering realisability, the amount recoverable from Stage 3 assets is classified under after 12 months.

Assets	As at March 31, 2019			As at March 31, 2018			As at April 1, 2017		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets									
Cash and cash equivalents	106.66	-	106.66	0.26	-	0.26	2.64	-	2.64
Bank balance other than cash and cash equivalents	0.55	-	0.55	0.48	-	0.48	0.55	-	0.55
Trade receivables	4.34	-	4.34	5.78	-	5.78	10.28	-	10.28
Loans	9,815.34	9,400.34	19,215.68	6,353.44	6,804.62	13,158.06	4,506.24	5,144.32	9,650.56
Investments	603.97	357.90	961.87	-	57.47	57.47	-	57.42	57.42
Other financial assets	49.07	2.37	51.44	39.94	1.26	41.20	3.30	0.65	3.95
Non financial assets									
Current tax assets (net)	-	16.25	16.25	-	10.11	10.11	-	9.50	9.50
Deferred tax assets (net)	-	176.41	176.41	-	122.92	122.92	-	69.86	69.86
Property, plant and equipment	-	78.31	78.31	-	95.01	95.01	-	97.66	97.66
Other intangible assets	-	16.61	16.61	-	14.49	14.49	-	7.44	7.44
Other non-financial assets	14.05	9.68	23.73	11.86	6.47	18.33	6.86	1.19	8.05
Total assets	**10,593.98**	**10,057.87**	**20,651.85**	**6,411.76**	**7,112.35**	**13,524.11**	**4,529.87**	**5,388.04**	**9,917.91**

Liabilities	As at March 31, 2019 Within 12 months	After 12 months	Total	As at March 31, 2018 Within 12 months	After 12 months	Total	As at April 1, 2017 Within 12 months	After 12 months	Total
Liabilities									
Financial liabilities									
Trade Payables									
(i) Total outstanding dues of micro enterprise and small enterprise	0.02	-	0.02	0.08	-	0.08	0.05	-	0.05
(ii) Total outstanding dues of creditors other than micro enterprise and small enterprise	116.17	-	116.17	72.14	-	72.14	54.75	-	54.75
Debt securities	4,660.04	2,121.21	6,781.25	3,561.09	2,111.00	5,672.09	1,728.43	1,274.40	3,002.83
Borrowing (other than debt securities)	2,513.32	6,604.20	9,117.52	1,423.65	3,390.00	4,813.65	1,566.27	2,901.68	4,467.95
Subordinated liabilities	-	424.10	424.10	-	300.00	300.00	-	200.00	200.00
Other financial liabilities	390.74	67.09	457.83	337.57	21.25	358.82	208.29	21.86	230.15
Non financial liabilities									
Current tax liabilities (net)	33.53	-	33.53	14.87	-	14.87	21.97	-	21.97
Provisions	10.05	13.04	23.09	7.08	7.72	14.80	3.17	5.84	9.01
Other non - financial liabilities	22.30	9.53	31.83	19.18	6.60	25.78	8.22	3.77	11.99
Total liabilities	**7,746.17**	**9,239.17**	**16,985.34**	**5,435.66**	**5,836.57**	**11,272.23**	**3,591.15**	**4,407.55**	**7,998.70**
Net	**2,847.81**	**818.70**	**3,666.51**	**976.10**	**1,275.78**	**2,251.88**	**938.72**	**980.49**	**1,919.21**

Note 33: Change in liabilities arising from financing activities

Particulars	April 1, 2018	Cash flows	Others*	March 31, 2019
Debt securities	5,672.09	802.70	306.46	6,781.25
Borrowings other than debt securities	4,813.65	4,303.87	-	9,117.52
Subordinated liabilities	300.00	124.10	-	424.10
Total liabilities from financing activities	**10,785.74**	**5,230.67**	**306.46**	**16,322.87**

Particulars	April 1, 2017	Cash flows	Others*	March 31, 2018
Debt securities	3,002.83	2,524.36	144.90	5,672.09
Borrowings other than debt securities	4,467.95	345.70	-	4,813.65
Subordinated liabilities	200.00	100.00	-	300.00
Total liabilities from financing activities	**7,670.78**	**2,970.06**	**144.90**	**10,785.74**

*Represent discount on commercial paper amortised during the year.

Note 34: Contingent liabilities, commitments and leasing arrangements

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
34.1 Capital commitment			
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid amounting to Rs. 6.02 (March 31, 2018 Rs. 5.37)	6.35	3.87	0.84
(ii) Undrawn committed credit lines	93.00	-	-
	99.35	3.87	0.84

34.2 Contingent liability

(i) The Company's pending tax litigations comprises claims against the Company pertaining to proceedings pending with income tax authorities and Sales tax/VAT authorities amounting to Rs.11.22 (March 31, 2018: Rs.10.99, April 1, 2017: Rs. 5.73). The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as 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.

(ii) The Hon'ble Supreme Court of India, vide their ruling dated 28 February 2019, set out the principles based on which certain allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed by a third party and is pending before the Supreme court for disposal. In view of the management, pending decision on the subject review petition and directions from the EPFO, the management has a view that the applicability of the decisions is prospective. Further, the impact for the past period, if any, is not practically ascertainable in view of various interpretation issues.

34.3 The Company has made provisions as required under the applicable laws or accounting standards for material foreseeable losses, if any, long term contracts.

34.4 Operating lease commitments- Company as lessee

The Company has entered into operating lease agreement for leased premises and are cancellable in nature. The aggregate lease rentals amounting to Rs. 14.55 (March 31, 2018 Rs. 9.92) have been charged to statement of profit and loss.

Note 35: Related party transactions

List of Related parties:

(a) Subsidiary of the Company

Hero Housing Finance Limited

(b) Parties in respect of which the Company is an associate

Hero MotoCorp Limited

Bahadur Chand Investment Pvt. Ltd. (Effective August 23, 2018)

(c) Key managerial personnel (KMP):

Mr. Pawan Munjal – Chairman

Ms. Renu Munjal – Managing Director

Mr. Abhimanyu Munjal – Joint Managing Director & Chief Executive Officer

Mr. D.N Davar - Non-Executive Director

Mr. Pradeep Dinodia - Non-Executive Director

Mr. Sanjay Kukreja - Non-Executive Director

Mr. Rahul Munjal – relative of Renu Munjal

Mr. Amit Jain – Company Secretary (Upto October 11, 2017)

Mr. Vikas Gupta – Company Secretary (Effective March 22, 2018 upto September 21, 2018)

Mr. Shivendra Suman – Company Secretary (Effective September 21, 2018)

Mr. Shyam Lal – Chief Financial Officer (Upto January 29, 2018)

Mr. Jayesh Jain – Chief Financial Officer (Effective January 29, 2018)

(d) Enterprises over which key management personnel and their relatives are able to exercise significant influence:-

Hero Future Energies Limited (Merged with Clean Solar Power (Hiriyur) Private Limited) (effective March 30, 2018)

Hero Investcorp Private Limited

Hero Solar Energy Private Limited

Brijmohan Lall Om Parkash (Partnership Firm)

Munjal Acme Packaging Systems Private Limited

Cosmic Kitchen Private Limited

A.G. Industries Private Limited

Clean Solar Power Hiriyur Private Limited

Raman Munjal Vidya Mandir (RKMF)

Transactions with related parties during the year :

	Year ended March 31, 2019	Year ended March 31, 2018
(a) Transaction with parties in respect of which the Company is Holding Company		
Hero Housing Finance Limited		
Investment in equity shares	200.00	-
Reimbursement of expenses (received)	-	0.03
Interest income	0.32	-
Rental income	0.17	-
Loan given	50.00	-
Loan repaid	50.00	-
(b) Transaction with parties in respect of which the Company is an Associate		
Hero MotoCorp Limited		
Dividend received	0.01	0.01
Dividend paid	12.24	5.75
Lease rental received	17.39	22.70
Repair and maintenance expense	0.04	-
Reimbursement of Insurance expense	0.56	-
Proceeds against share warrants	-	70.03
Proceeds against share issued (including share premium)	498.30	-
Rent paid	0.07	0.05
Subvention income	1.74	0.13
Sale of property, plant and equipment	7.93	6.78
Bahadur Chand Investment Pvt. Ltd.		
Dividend paid	5.74	-
Proceeds against share issued (including share premium)	408.89	-

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	Year ended March 31, 2019	Year ended March 31, 2018
Hero Future Energies Private Limited (Merged with Clean Solar Power (Hiriyur) Private Limited) (Effective March 30, 2018)		
Loan given	175.00	50.00
Loan repaid	50.00	50.00
Interest received/accrued	3.61	5.21
Processing fees received	0.26	0.25
A.G. Industries Private Limited		
Interest income	0.81	0.88
Loan repaid	1.00	1.00

Cosmic Kitchen Private Limited		
Staff welfare expense	1.12	1.09
Interest income	0.01	0.10
Loan repaid	0.24	1.83
Hero Solar Energy Private Limited		
Loan given	50.00	100.00
Loan repaid	100.00	-
Interest received/accrued	8.69	2.18
Processing fees received	0.10	0.50
Clean Solar Power Hiriyur Private Limited		
Loan given	50.00	-
Loan repaid	50.00	-
Processing fees received	0.16	-
Interest received/accrued	2.55	-
Brijmohan Lall Om Prakash (Partnership firm)		
Loan given	-	30.00
Loan repaid	-	30.00
Interest received/accrued	-	0.37
Proceeds against share issued (including share premium)	-	61.57
Hero Investcorp Private Limited		
Proceeds against share issued (including share premium)	57.23	-
Dividend paid	0.81	0.38
Raman Munjal Vidya Mandir (RKMF)		
Contribution made for corporate Social Responsibility	4.93	0.60
Business Promotion expense	0.01	-
Munjal Acme Packaging Systems Private Limited		
Proceeds against share issued (including share premium)	-	65.80
Dividend paid	0.54	-

(d) Transactions with key management personnel and their relatives:

	As at March 31, 2019	As at March 31, 2018
Short term employee benefits	27.48	20.64
Post-employment benefits*	-	-
Other long-term benefits*	-	-
Proceeds against share issued (including share premium)	16.55	-
Dividend paid	0.30	0.15
Director sitting fee/commission	0.26	0.29
Employee stock option expense	1.43	-

* Does not include gratuity and compensated absences as these are provided based on the Company as a whole.

Outstanding balances at the year end :

(a) Parties in respect of which the Company is an Associate

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Hero MotoCorp Limited			
Amount receivable as at year end	3.00	5.19	1.21

(b) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Hero Future Energies Private Limited (Merged with Clean Solar Power (Hiriyur) Private Limited)			
Loan outstanding at the year end (receivable)	175.00	50.00	50.00
A.G. Industries Private Limited			
Loan outstanding at the year end (receivable)	8.01	9.00	10.00
Hero Solar Energy Private Limited			
Loan outstanding at the year end (receivable)	50.39	100.00	-

(c) Outstanding balance due to key management personnel and their relatives as at year end:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Salary and wages payable	12.34	7.5	4.02
Post-employment benefits*	-	-	-
Other long-term benefits*	-	-	-

* Does not include gratuity and compensated absences as these are provided based on the Company as a whole.

Note 36: Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Reserve Bank of India (RBI) of India. The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI. The Company has complied in full with all its externally imposed capital requirements over the reported period.

36.1 Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with regulatory capital requirements. The Company ensures adequate capital at all time and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flow are monitored, borrowing covenants are honored and ratings are maintained. Regulatory capital- related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed level. In accordance with such norms, Tier 1 capital of the Company comprises of share capital, share premium, retained earnings, general reserve, statutory reserve, employee stock options outstanding account less deferred revenue expenditure, deferred tax assets and other intangible assets. The other component of regulatory capital is Tier II Capital Instruments, which include subordinate debt and impairment allowance on loans for stage 1 and 2 to the extent the same does not exceed 1.25 % of Risk Weight Assets. There were no changes in capital management process during the period presented.

36.2 Regulatory Capital

Refer note no 44.1 for regulatory capital.

Note 37: Events after balance sheet date

There have been no events after the reporting date that requires disclosure in these financial statements.

Note 38: Financial instruments

(a) Financial instruments by category and fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:
(a) recognised and measured at fair value and
(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

As at March 31, 2019	Carrying amount					Fair value		
	FVTPL	FVTOCI	Amortised Cost	At Cost	Total	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents*	-	-	106.66	-	**106.66**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.55	-	**0.55**	-	-	-
Trade receivables*	-	-	4.34	-	**4.34**	-	-	-
Loans	-	-	19,215.68	-	**19,215.68**	-	-	19,106.45
Investments	711.87	-	-	250.00	**961.87**	539.56	-	172.31
Other financial assets*	-	-	51.44	-	**51.44**	-	-	-
	711.87	-	**19,378.67**	**250.00**	**20,340.54**	**539.56**	-	**19,278.76**
Financial liabilities								
Trade payable								
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.02	-	**0.02**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	116.17	-	**116.17**	-	-	-
Debt securities	-	-	6,781.25	-	**6,781.25**	-	-	6,763.07
Borrowing (other than debt securities)	-	-	9,117.52	-	**9,117.52**	-	-	9,117.52
Subordinated liabilities	-	-	424.10	-	**424.10**	-	-	424.98
Other financial liabilities*	-	-	457.83	-	**457.83**	-	-	-
	-	-	**16,896.89**	-	**16,896.89**	-	-	**16,305.57**

As at March 31, 2018	Carrying amount					Fair value		
	FVTPL	FVTOCI	Amortised Cost	At Cost	Total	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents*	-	-	0.26	-	**0.26**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.48	-	**0.48**	-	-	-
Trade receivables*		-	5.78	-	**5.78**	-	-	-
Loans	-	-	13,158.06	-	**13,158.06**	-	-	13,200.05
Investments	7.47	-	-	50.00	**57.47**	0.49	-	6.98
Other financial assets*	-	-	41.20	-	**41.20**	-	-	-
	7.47	-	**13,205.78**	**50.00**	**13,263.25**	**0.49**	-	**13,216.03**
Financial liabilities								
Trade payable								
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.08	-	**0.08**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	72.14	-	**72.14**	-	-	-
Debt securities	-	-	5,672.09	-	**5,672.09**	-	-	5,661.96
Borrowing (other than debt securities)	-	-	4,813.65	-	**4,813.65**	-	-	4,813.65
Subordinated liabilities	-	-	300.00	-	**300.00**	-	-	299.32
Other financial liabilities*	-	-	358.82	-	**358.82**	-	-	-
	-	-	**11,216.78**	-	**11,216.78**	-	-	**10,774.93**

As at April 1, 2017	Carrying amount					Fair value		
	FVTPL	FVTOCI	Amortised Cost	At Cost	Total	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents*	-	-	2.64	-	**2.64**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.55	-	**0.55**	-	-	-
Trade receivables	-	-	10.28	-	**10.28**	-	-	
Loans	-	-	9,650.56	-	**9,650.56**	-	-	9,640.29

Investments	7.42	-	-	50.00	**57.42**	0.44	-	6.98
Other financial assets*	-	-	3.95	-	**3.95**	-	-	-
	7.42	-	**9,667.98**	**50.00**	**9,725.40**	**0.44**	-	**9,647.27**
Financial liabilities								
Trade payable								
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.05	-	**0.05**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	54.75	-	**54.75**	-	-	-
Debt securities	-	-	3,002.83	-	**3,002.83**	-	-	3,011.44
Borrowing (other than debt securities)	-	-	4,467.95	-	**4,467.95**	-	-	4,467.95
Subordinated liabilities	-	-	200.00	-	**200.00**	-	-	201.58
Other financial liabilities*	-	-	230.15	-	**230.15**	-	-	-
	-	-	**7,955.73**	-	**7,955.73**	-	-	**7,680.97**

*The carrying amount of cash and cash equivalents, bank balance other than cash and cash equivalents, trade receivables other financial assets, trade payable and other financial liabilities approximates the fair value, due to their short-term nature (except for the level 3 balance shown under other financial assets and other financial liabilities), except for security deposit, margin money received from customer for which fair value was calculated based on the discounted EIR.

(b) Valuation framework

The finance department of the Company includes personnel that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO).

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

The Company uses suitable valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation.

Loans

The fair value of loan and advances are estimated by discounted cash flow models. For fixed rate loans, the fair value represent the discounted value of the expected future cash flow. For floating rate interest loans, the carrying amount of loans represent fair market value of loans. Fair value is then reduced by the impairment loss allowance on loans which is already calculated incorporating probability of default and loss given defaults.

Debt securities, borrowings (other than debt securities) and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt. Further, for floating rate interest bearing borrowings, the carrying amount of borrowings represent fair market value of borrowings.

Investments

Investment in alternate investment fund is recorded at FVTPL, the fair value of which is determined using discounted cash flow model which is carried out by third party. Fair value of investment in commercial papers, forum 1 aviation approximates the carrying value and investment in mutual fund are fair valued using NAV at reporting date.

There were no transfers between levels during the year.

Note 39: Risk management framework

39.1 *Risk profile and risk mitigation*

(a) Risk management structure and Company's risk profile

The Company's Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of directors has established the Risk Managemant Advisory Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

39.2 *Credit risk*

Credit risk arises from loans, cash and cash equivalents, bank balance other than cash and cash equivalents, investments and other financial assets. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's asset on finance and trade receivables from customers; loans and investments. The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

Financial assets measured on a collective basis

The Company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Company on terms that the Company would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Portfolio review is performed every quarter and is reviewed by the management on quarterly basis.

(b) *Definition of default*

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers.

(c) *Probability of default (PD)*

Day past dues (DPD) analysis is the preliminary inputs in the determination of the term structure of DPD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by region, type of product, borrowers as well as by DPD. The Company analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as result of passage of time.

(d) *Exposure at default*

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(e) *Loss given default*

Loss given default (LGD) represent estimated financial loss the Company is likely to suffer in the event of default and it is used to calculate provision requirement on EAD along with probability of default. LGD values are assessed, reviewed and approved by the Company. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

(f) *Significant increase in credit risk*

The Company continuously monitor all the assets subject to ECL in order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company also applies a secondary qualitative methods for triggering a significant increase in credit risk for an asset, such as moving customer/ facilities to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than one month overdue, the credit risk is deemed to have increase significantly since initial recognition. The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

g) *Expected credit loss on Loans*

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, date of initial recognition, remaining term to maturity, collateral type, and other relevant factors.

The Company considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days but less than 90 days are classified under Stage 2. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the statistical models and other historical data.

39.2.1 *Inputs, assumptions and estimation techniques used to determine expected credit loss*

The Company's loan loss provision are made on the basis of the Company's historical loss experience and future expected credit loss, after factoring in various macro-economic parameters such as GDP growth rate (YoY), change in unemployment rate (YoY), G-Sec interest rate and change in bank credits (YoY). The selection of these variables was made purely based on business sense. The macro -economic variables were regressed using a logical regression against systemic default ratio out of the impact of macro-economic variables on the system wide default rates. Best, base, moderate, worst and current scenarios were created for all the variables and default rates were estimated for all the scenarios. The differential default rates between the current and the best, worst, base, moderate scenarios are then found out. This differential factor is then added to the base probability of default term structure, which was arrived using the Kaplan Meier technique, thereby creating four different probability of default term structures for the four scenarios.

39.2.2 *Analysis of risk concentration*

The Company's concentrations of risk are managed by client/counterparty and industry sector. The maximum credit exposure to any individual client or counterparty was Rs. 282.20, Rs. 270.41 and Rs. 210.84 as at March 31, 2019, March 31, 2018 and April 1, 2017, respectively.

39.2.3 Analysis of portfolio

An analysis of changes in gross carrying amount in relation to Loan portfolio is as follows:

Particulars	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	12,437.20	492.39	550.49	13,480.08	9,222.93	306.85	293.11	9,822.89
New assets originated (refer note 1and 2 below)	13,816.91	373.55	46.43	14,236.89	11,412.25	185.06	40.62	11,637.93
Assets repaid (excluding write offs) (refer note 2 below)	(7713.38)	(209.74)	(96.80)	(8,019.92)	(7700.82)	(149.14)	(72.37)	(7,922.33)
Transfers from Stage 1	(624.71)	393.16	231.55	-	(504.51)	268.41	236.10	-
Transfers from Stage 2	71.24	(233.94)	162.70	-	7.39	(119.00)	111.61	-
Transfers from Stage 3	10.45	4.04	(14.49)	-	0.66	0.43	(1.09)	-
Amounts written off	-	-	-	-	(0.70)	(0.22)	(57.49)	(58.41)
Gross carrying amount closing balance	**17,997.71**	**819.46**	**879.88**	**19,697.05**	**12,437.20**	**492.39**	**550.49**	**13,480.08**

Reconciliation of Impairment loss allowance in relation to Loan portfolio is as follows:

Particulars	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment allowance- opening balance	93.23	43.22	185.57	322.02	47.54	21.17	103.62	172.33
New assets originated (refer note 1, 2 and 3 below)	68.18	35.01	56.43	159.62	61.47	12.38	28.34	102.19
Effect of change in estimate/repayment	42.46	6.15	(48.88)	(0.27)	75.97	17.02	(45.49)	47.50
Transfers from Stage 1	(111.94)	46.27	65.67	-	(92.12)	24.50	67.62	-
Transfers from Stage 2	0.24	(40.40)	40.16	-	0.35	(31.91)	31.56	-
Transfers from Stage 3	0.05	0.58	(0.63)	-	0.02	0.06	(0.08)	-
Impairment allowance- Closing balance	**92.22**	**90.83**	**298.32**	**481.37**	**93.23**	**43.22**	**185.57**	**322.02**

An analysis of Expected credit loss rate:

Particulars	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Expected credit loss rate*	0.51%	11.08%	33.90%	2.44%	0.75%	8.78%	33.71%	2.39%

* Expected credit loss rate is computed ECL divided by EAD

Note 1: New assets originated represents fresh disbursals made during the year. Classification of new assets originated in stage1, 2,3 is based on year end staging.

Note 2: Assets originated and repaid during the year have not been disclosed in the movement of gross carrying amount.

Note 3: The contractual amount of financial assets that has been written off by the Company during the year ended 31 March 2019 and that were still subject to enforcement activity was Rs. Nil (March 31, 2018 Rs. 58.41)

Note 4: The Company recognize expected credit loss (ECL) on collective basis that takes into account comprehensive credit risk information.

Expected credit loss (ECL) has increased from Rs. 172.33 to Rs. 322.02 as at March 31, 2018. Further, the same has been increased to Rs. 481.37 by March 31, 2019. Primarily reason for increase is increase in Exposure at Default. EAD has been increased by 37.23% by the year ended March 31, 2018 as compared to year ended March 31, 2017 and the same has been increased by 46.12% by the year ended March 31, 2019 as compared to year ended March 31, 2018. Further, the increase in ECL is primarily on account of increase in expected loss rate percentage in Stage I, II and III categories primarily on account of increase in probability of default and marginally on account of change in percentage of loss given default. During the year ended March 31, 2019, overall expected loss rate in stage III is increased to 33.90% as compared to 33.71% during the year ended March 31, 2018 whereas in Stage I and II expected loss rate percentage is marginally decrease as compared to previous year.

39.2.4 *Collateral and other credit enhancements*

The loan portfolio of the Company has both secured and unsecured loans and they vary with the type of funding. Products like loan against property, machinery term loan, medical equipment financing, corporate loan, two wheeler loan and pre owned car loan are all secured loans whereas products like business loan and loyalty program generally do not carry any collateral security.

For loan against property, properties (residential, commercial, industrial, mixed use, etc.) are generally acceptable collateral. Machinery term loan and medical equipment financing are given against the collateral of the equipment being funded. For corporate loan there is usually a collateral basket comprising of properties, rated securities, current assets (including stock and book debts), plant and machinery, and deposits. For two wheeler loan and pre owned car loan, the respective vehicle against which the loan been offered is taken as a collateral security.

The Company has a pre-defined loan to value norms in the policy and the same is disbursed to control the risk of the Company. For loan against property, the loan to value ("LTV") is in the range of 50 to 75%. For machinery term loan the loan to value range is between 65 to 80%. For corporate loan, the funding is secured by way of a collateral basket – the overall security cover is generally maintained in the range of 1.1 times to 3 times and above. For loan against shares, a minimum cover of 2 times is maintained.

For pre-owned car and two wheeler loan, the Company maintains a loan to value range of 75 to 90% depending upon tenure and model.

Valuation of the collateral, wherever applicable, is done by empaneled valuers who carry the necessary experience and expertise in the area. The guidelines governing these valuation have been clearly laid out for each collateral class. For two wheeler loan since the asset is new no valuation is has been carried out by the Company. Valuation of the collateral for pre-owned car is done by empanelled valuers who carry the necessary experience and expertise in the area. Valuation of the credit impaired assets (stage 3 assets) are carried out by our empanelled valuers and for all assessment /provisioning purposes, distress value is considered. The Company has an in-house team of technical managers who manage property valuation activity.

39.3 *Liquidity risk*

Liquidity risk arises as Company has contractual financial liabilities that is required to be serviced and redeemed as per committed timelines and in the business of lending where money is required for the disbursement and creation of financial assets to address the going concern of Company. Liquidity risk management is imperative to Company as this allows covering the core expenses, market investment / creation of financial assets, timely repayment of debt commitments and continuing with their operations. The Company with the help of ALCO committee, ALM policy and Liquidity Desk, monitors the Liquidity risk and uses structural, dynamic liquidity statements and cash flow statements as a mechanism to address this.

The Company aims to maintain the level of its cash equivalents, un-utilized borrowing lines and cash inflow at an amount in excess of expected cash outflows on financial liabilities over the next one year. At March 31, 2019, the net of expected cash inflows and outflows within 12 months are Rs. 3,567.69 (March 31, 2018: Rs. 1,367.29; April 1,2017: Rs. 1,055.14).

39.3.1 *Contractual maturities of financial instruments*

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at reporting date.

As at March 31, 2019	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	106.66	-	-	-	106.66
Bank balance other than cash and cash equivalents	-	0.55	-	-	0.55
Trade receivables	-	4.34	-	-	4.34
Loans*	-	10,583.66	6,981.48	2,221.05	19,786.19
Investments	-	603.97	-	357.90	961.87
Other financial assets	-	49.07	1.45	2.30	52.82
Total undiscounted financial assets	**106.66**	**11,241.59**	**6,982.93**	**2,581.25**	**20,912.43**
Financial liabilities					
Trade payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.02	-	-	0.02
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	116.17	-	-	116.17
Debt securities	-	4,660.75	2,072.00	50.00	6,782.75
Borrowings (other than debt securities)	-	2,513.32	6,564.20	40.00	9,117.52
Subordinate liabilities	-	-	-	425.00	425.00
Other financial liabilities	-	390.96	74.80	5.38	471.14
Total undiscounted financial liabilities	**-**	**7,681.22**	**8,711.00**	**520.38**	**16,912.60**
Net undiscounted financial assets/(liabilities)	**106.66**	**3,560.37**	**(1,728.07)**	**2,060.87**	**3,999.83**
Total Commitments	99.35	-	-	-	99.35

As at March 31, 2018	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	0.26	-	-	-	0.26
Bank balance other than cash and cash equivalents	-	0.48	-	-	0.48
Trade receivables	-	5.78	-	-	5.78
Loans*	-	6,719.12	4,892.58	1,932.35	13,544.05
Investments	-	-	-	57.47	57.47
Other financial assets	-	39.94	0.98	0.91	41.83
Total undiscounted financial assets	**0.26**	**6,765.32**	**4,893.56**	**1,990.73**	**13,649.87**
Financial liabilities					
Payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.08	-		0.08
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	72.14	-		72.14
Debt securities	-	3,561.09	2,111.00	-	5,672.09
Borrowings (other than debt securities)	-	1,423.65	3,390.00	-	4,813.65
Subordinate liabilities	-	-	-	300.00	300.00
Other financial liabilities	-	337.46	24.18	4.90	366.54
Total undiscounted financial liabilities	**-**	**5,394.42**	**5,525.18**	**304.90**	**11,224.50**
Net undiscounted financial assets/(liabilities)	**0.26**	**1,370.90**	**(631.62)**	**1,685.83**	**2,425.37**
Total Commitments	3.87	-	-	-	3.87

As at April 1, 2017	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	2.64	-	-	-	2.64
Bank balance other than cash and cash equivalents	-	0.55	-	-	0.55
Trade receivables	-	10.28	-	-	10.28
Loans*	-	4,596.97	3,685.71	1,585.26	9,867.94
Investments	-	-	-	57.42	57.42
Other financial assets	-	3.27	0.67	0.27	4.21
Total undiscounted financial assets	**2.64**	**4,611.07**	**3,686.38**	**1,642.95**	**9,943.04**
Financial liabilities					
Payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.05	-	-	0.05

- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	54.75	-	-	54.75
Debt Securities	-	1,728.43	1,274.40	-	3,002.83
Borrowings (Other than Debt Securities)	-	1,566.27	2,901.68	-	4,467.95
Subordinate liabilities	-	-	-	200.00	200.00
Other financial liabilities	-	208.23	21.90	3.90	234.03
Total undiscounted financial liabilities	**-**	**3,557.73**	**4,197.98**	**203.90**	**7,959.61**
Net undiscounted financial assets/(liabilities)	**2.64**	**1,053.34**	**(511.60)**	**1,439.05**	**1,983.43**
Total Commitments	0.84	-	-	-	0.84

* This represents contractual maturities of loans without expected credit loss and EIR adjustments.

39.4 *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instrument will fluctuate due to changes in market variables such as interest rates, foreign exchange rates etc. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while maximising the return.

Interest rate risk

The Company uses a mix of cash and borrowings to manage the liquidity and fund requirements of its day-to-day operations. Further, certain interest bearing liabilities carry variable interest rates. Interest rate risk on variable borrowings is managed by way of regular monitoring borrowing rate.

The exposure of Company's financial assets and liabilities to interest rate risk is as follows:

Financial assets	Floating rate instruments	Fixed rate instruments
March 31, 2019	7,314.57	12,382.48
March 31, 2018	5,824.09	7,655.99
April 1, 2017	4,970.59	4,852.30
Financial liabilities		
March 31, 2019	8,692.52	7,630.35
March 31, 2018	4,813.65	5,972.09
April 1, 2017	4,468.77	3,202.01

The table below illustrates the impact of a 1.00% movement in interest rates on interest income and interest expense on floating loans and floating borrowings respectively for next one year, assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average loans and borrowings outstanding during the year.

Movement in interest rates	For the year ended March 31, 2019	For the year ended March 31, 2018
1.00%	(11.40)	24.19
(1.00%)	11.40	(24.19)

Note 40: First time adoption of Ind AS

Explanation of transition to Ind AS

These financial statements, for the year ended March 31, 2019, are the first financial statements the Company has prepared in accordance with Indian Accounting Standards (Ind AS) as per Companies (Indian Accounting Standards) Rules 2015 notified under Section 133 of the Companies Act, 2013, ('the Act') (including subsequent amendments thereto) and other relevant provisions of the Act. Accordingly, the Company has prepared its financial statements to comply with Ind AS applicable for the year ended March 31, 2019, together with comparative period data as at and for the year ended March 31, 2018, as described in the summary of significant accounting policies.

In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2017, the Company's date of transition to Ind AS. According to Ind AS 101, the first Ind AS financial statements must use recognition and measurement principles that are based on standards and interpretations that are effective at March 31, 2019, the date of first-time preparation of Financial Statements according to Ind AS. These accounting principles and measurement principles must be applied retrospectively to the date of transition to Ind AS and for all periods presented within the first Ind AS Financial Statements.

Any resulting differences between carrying amounts of assets and liabilities according to Ind AS 101 as of April 1, 2017 compared with those presented in the previous GAAP Balance Sheet as of March 31, 2017, were recognized in equity under retained earnings within the Ind AS Balance Sheet. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements, including the balance sheet as at April 1, 2017 and financial statements as at and for the year ended March 31, 2018.

Exemptions applied

In preparing the financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

A. Optional exemptions:

(i) Property, plant and equipment and other intangible assets

As per Ind AS 101 an entity may elect to:

a) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date; or

b) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:
   - fair value;
   - or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index

The elections under (a) and (b) above are also available for other intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market); or

(c) use carrying values of property, plant and equipment and intangible assets as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

The Company has elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its property, plant and equipment and other intangible assets as recognised in the financial statements as at the date of transition to Ind ASs, as deemed cost as at the date of transition (i.e. April 1, 2017).

B. Mandatory exceptions:

(i) Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS and at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Company's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Fair value of financial instruments carried at fair value through profit and loss and/ or fair value through other comprehensive income;
- Impairment of financial assets based on the expected credit loss model; and
- Determination of the discounted value for financial instruments carried at amortised cost.

(ii) Classification and measurement of financial assets and liabilities

Ind AS 101 requires an entity to assess classification of financial assets and liabilities on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets and liabilities accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets and liabilities bases on facts and circumstances that exist on the date of transition. Measurement of the financial assets and liabilities accounted at amortised cost has been done retrospectively except where the same is impracticable.

(i) Reconciliation of balance sheet

Particulars	Notes to first-time adoption	As at date of transition April 1, 2017			As at March 31, 2018		
		Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Assets							
Financial assets							
Cash and cash equivalents		2.64	-	2.64	0.26	-	0.26
Bank balance other than cash and cash equivalents		0.55	-	0.55	0.48	-	0.48
Trade receivables		10.28	-	10.28	5.78	-	5.78
Loans	(a)	9,707.97	(57.41)	9,650.56	13,249.13	(91.07)	13,158.06
Investments	(j)	56.99	0.43	57.42	56.99	0.48	57.47
Other financial assets		4.22	(0.27)	3.95	41.83	(0.63)	41.20
Non financial assets							
Current tax assets (net)		9.50	-	9.50	10.11	-	10.11
Deferred tax assets (net)	(f)	45.26	24.60	69.86	81.95	40.97	122.92
Property, plant and equipment		97.66	-	97.66	95.01	-	95.01
Other intangible assets		7.44	-	7.44	14.49	-	14.49
Other non-financial assets	(a), (b), (c), (e),	7.81	0.24	8.05	17.74	0.59	18.33
Total assets		**9,950.32**	**(32.41)**	**9,917.91**	**13,573.77**	**(49.66)**	**13,524.11**
Liabilities and Equity							
Financial liabilities							
(i) Total outstanding dues of micro enterprises and small enterprises; and		0.05	-	0.05	0.08	-	0.08
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		54.75	-	54.75	72.14	-	72.14
Debt securities		3,002.83	-	3,002.83	5,672.09	-	5,672.09
Borrowing (other than debt securities)		4,467.95	-	4,467.95	4,813.65	-	4,813.65

Subordinated liabilities		200.00	-	200.00	300.00	-	300.00
Other financial liabilities	(b)	234.03	(3.88)	230.15	366.55	(7.73)	358.82
Non financial liabilities							
Current tax liabilities (net)		21.97	-	21.97	14.87	-	14.87
Provisions		9.01	-	9.01	14.80	-	14.80
Other non - financial liabilities	(b)	8.23	3.76	11.99	18.32	7.46	25.78
Total liabilities		**7,998.82**	**(0.12)**	**7,998.70**	**11,272.50**	**(0.27)**	**11,272.23**
Equity							
Equity share capital		92.68	-	92.68	98.45	-	98.45
Other equity		1,858.82	(32.29)	1,826.53	2,202.82	(49.39)	2,153.43
Total equity		**1,951.50**	**(32.29)**	**1,919.21**	**2,301.27**	**(49.39)**	**2,251.88**
Total equity and liabilities		**9,950.32**	**(32.41)**	**9,917.91**	**13,573.77**	**(49.66)**	**13,524.11**

**The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note*

(ii) Reconciliation of total comprehensive income for the year ended March 31, 2018

Particulars	Notes to first-time adoption	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Revenue from operations				
Interest income	(b), (c), (e), (i)	1,660.23	(126.35)	1,533.88
Dividend income		0.01	-	0.01
Profit on sale of investments		3.28	-	3.28
Rental income		22.85	-	22.85
Net gain on fair value changes	(j)	-	0.04	0.04
Others charges		130.94	-	130.94
Total income (I)		**1,817.31**	**(126.31)**	**1,691.00**
Expenses				
Finance costs	(b)	683.66	-	683.66
Impairment on allowance on loans	(e)	107.86	28.29	136.15
Employee benefits expenses	(i)	149.29	(5.02)	144.27
Depreciation and amortization		26.50	-	26.50
Other expenses	(a), (i)	602.06	(116.86)	485.20

Total Expenses (II)		**1,569.37**	**(93.59)**	**1,475.78**
Profit before tax (I-II)		**247.94**	**(32.72)**	**215.22**
Tax expense:				
(i) Current tax		125.44	-	125.44
(ii) Tax adjustment relating to earlier year		(3.25)	-	(3.25)
(ii) Deferred tax (credit) (net)	(f)	(36.70)	(16.10)	(52.80)
Profit for the year		**162.45**	**(16.62)**	**145.83**
Other comprehensive income / (loss)				
Items that will not be reclassified to profit or loss:-				
Remeasurement of (losses) on defined benefit plans	(d)	-	(0.74)	(0.74)
Income tax impact on above	(f)	-	0.26	0.26
Other comprehensive income/(loss) for the year net of tax		**-**	**(0.48)**	**(0.48)**
Total comprehensive income for the year		**162.45**	**(17.10)**	**145.35**

**The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note*

(iii) Impact of significant adjustments as at March 31, 2018 and April 1, 2017

Particulars	Notes to first-time adoption	As at April 1, 2017	As at March 31, 2018
Total equity (shareholder's funds) as per previous GAAP		1,951.50	2,301.27
Adjustments on transition to Ind AS :			
Impact of provision as per expected credit loss	(e)	(26.30)	(54.59)
Decrease in interest income pursuant to application of effective interest rate method	(i)	(45.06)	(63.97)
Income recognition of stage 3 assets	(c)	13.94	27.49
Others	(j)	0.53	0.71
Deferred tax on above (to the extent applicable)	(f)	24.60	40.97
Total adjustments on transition to Ind AS		**(32.29)**	**(49.39)**
Other comprehensive income/ (loss) (net of tax)		-	-
Total equity as per Ind AS		**1,919.21**	**2,251.88**

(iv) Impact of Ind AS adoption on the statement of cash flows for the year ended March 31, 2018

There are no material adjustment in the statement of cash flow hence no reconciliation of cash flow is provided.

Notes to the reconciliations

(a) Financial assets (Loans) : Security deposits

Under previous GAAP, interest free security deposits (that are refundable in cash on completion of the term as per the contract) are recorded at their transaction value. Under Ind AS, such financial assets are required to be recognised initially at their fair value and subsequently at amortised cost. Difference between the fair value and transaction value of the security deposit has been recognised as deferred rent. The unwinding of security deposit happens by recognition of a notional interest income in Statement of Profit and Loss at effective interest rate. The deferred rent gets amortised on a straight line basis over the term of the security deposits.

(b) Financial liabilities : Margin money deposit

Under previous GAAP, interest free long term liabilities for which the Company has contractual obligation to deliver cash or another financial asset to another entity are recorded at their transaction value. Under Ind AS, such financial liabilities are required to be recognised initially at their fair value and subsequently at amortised cost. Difference between the fair value and transaction value of the margin money has been recognised as accrued income. The unwinding of margin money happens by recognition of a notional interest expense in Statement of Profit and Loss at effective interest rate. The accrued income gets recognized on a straight line basis over the term of the security deposits.

(c) Interest income on Stage 3 assets

Under the previous GAAP, interest income is recognised as it accrues on a time proportion basis taking into account the amount of principle outstanding and the interest rate applicable, except in the case of Stage 3 assets where it is recognised upon realization as per RBI Guidelines. Under Ind AS, interest income from financial assets is recognized on an accrual basis using Effective Interest Rate (EIR) method. Interest revenue continues to be recognized at the original EIR applied on the gross carrying amount for assets falling under impairment stages 1 and 2 as against on written down amount for the assets falling under impairment stage 3.

(d) Actuarial gain and loss

Under Ind AS, Remeasurements i.e. actuarial gains and losses on the net defined benefit liability are recognised in other comprehensive income instead of statement of profit and loss. Under previous GAAP these were forming part of the statement of profit and loss for the year.

(e) Loss allowance

Under previous GAAP provisions for credit losses were primarily based on management assessment considering norms prescribed by RBI. Under Ind AS, the ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial assets ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 - month-ECL.

(f) Deferred tax

Under previous GAAP accounting for deferred tax, using the income statement approach, which focuses on differences between taxable profits and accounting profits for the year. Ind AS requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. In addition, the various transitional adjustments lead to temporary differences.

(g) Retained earnings

Retained earnings as at April 1, 2017 has been adjusted consequent to the Ind AS transition adjustments. Refer 'Reconciliation of total equity as at March 31, 2018 and April 1, 2017' as given above for details.

(h) Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss includes Remeasurements of defined benefit plans. The concept of other comprehensive income did not exist under previous GAAP.

(i) EIR on loans

Under the previous GAAP, income received and cost incurred on/ for origination of loan was recognised upfront while under Ind AS, such costs are included in the initial recognition amount of financial asset and recognised as interest income using the effective interest method.

(j) Fair value of investment through profit and loss

Under previous GAAP, investments in equity instruments were carries at cost subject to permanent diminution (if any). Under Ind AS, these investments are required to be measured at fair value.

(k) Statement of cash flows

The impact of transition from previous GAAP to Ind AS on the statement of cash flow is due to reclassification adjustments recorded under Ind AS balance sheet and statement of profit and loss. The transition from previous GAAP to Ind AS does not have a materiel impact of the statement of cash flow of the Company.

Note 41: Expenditure in foreign currency (on accrual basis)

	For the year ended March 31, 2019	For the year ended March 31, 2018
Travelling and conveyance	1.65	1.10
Total	**1.65**	**1.10**

Note 42: Dividend paid and proposed

	As at March 31, 2019	As at March 31, 2018
Declared and paid during the year		
Dividends on ordinary shares:		
Final dividend for the year ended March 31, 2018: Rs. 2.8* per share (March 31, 2017: Rs.1.5 per share)	29.77	13.90
Dividend distribution tax on final dividend declared and paid	6.12	2.83
Total dividends paid (including dividend distribution tax)	**35.89**	**16.73**
After the reporting dates the following dividends were proposed by the Board of Directors subject to the approval of the shareholders at Annual General Meeting. Accordingly, the dividends have not been recognised as liabilities. Dividend would attract corporate dividend tax when declared.		
Dividend on ordinary shares:		
Proposed for approval at Annual General Meeting March 31, 2019: Rs 4.25# per share (March 31, 2018: Rs 2.80* per share)	48.53	27.56
Dividend distribution tax on above	9.98	5.67
	58.51	**33.23**

* On April 30, 2018, the Board of Directors has recommended a final dividend on equity shares of Rs. 2.8 per share for the financial year ended March 31, 2018 and the same was approved by the shareholders at the Annual General Meeting held on 21 September 2018. The amount of proposed dividend in the previous year March 31, 2018 is Rs. 27.56, however the actual payment of dividend paid during the current year March 31, 2019 is Rs.29.77 as it includes dividend on right issue made during the year .

On April 24, 2019, the Board of Directors has proposed a final dividend on equity shares of Rs.4.25 per share for the financial year ended March 31, 2019.

Note 43: Employee Stock Option Scheme

The Employee Stock Options Scheme titled "ESOP Scheme 2017" or "the Scheme" was approved by the shareholders of the Company through postal ballot on June 09, 2017. The Scheme covered 2,639,703 options. The Scheme allows the issue of options to employees of the Company which are convertible to one equity share of the Company. As per the Scheme, the Nomination and Remuneration Committee grants the options to the employees deemed eligible. The options granted vest over a period of 4 years from the date of the grant in proportions specified in the ESOP Plan. Options may be exercised by the employees after vesting period within 4.5 years from the date of grant. The fair value as on the date of the grant of the options, representing Stock compensation charge, is expensed over the vesting period.

Plan	Number of Options Granted	Grant date	Vesting condition and vesting period	Exercise price (Rs.)	Weighted average fair value of the options at grant date (Rs.)
ESOP 2017	962,590	July 1, 2017	10% on completion of first year, 20% on completion of second year, 30% on completion of third year and 40% on completion of fourth year	495	240.60
ESOP 2017	25,000	December 1, 2017		495	329.09
ESOP 2017	49,000	December 5, 2017		495	329.21
ESOP 2017	93,215	January 8, 2018		495	327.95

Fair value of share options granted

The fair value of options granted is estimated using the Black Scholes Option Pricing Model after applying the key assumption which are tabulated below.

Inputs in to the pricing model

Particulars	ESOP 2017			
	July 1, 2017	December 1, 2017	December 5, 2017	January 8, 2018
Weighted average fair value of option (Rs.)	240.6	329.09	329.21	327.95
Weighted average share price (Rs.)	616.3	647.4	647.4	647.4
Exercise price (Rs.)	495	495	495	495
Expected volatility**	Nil	38.18	38.22	37.8
Option life (Years)	4.5	4.5	4.5	4.5
Dividend yield (%)	0.26	0.82	0.82	0.82
Risk-free interest rate (%)*	6.58	6.6	6.6	6.6

*The risk free interest rate being considered for the calculation is interest rate applicable to the implied yield of zero coupon government securities.

**Expected volatility calculation is based on volatility of similar listed enterprises.

Movement in share options during the year

Particular	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Number of options	Weighted average fair value of the options at grant date (Rs. per share)	Number of options	Weighted average fair value of the options at grant date (Rs. per share)
(i) Outstanding at the beginning of the year	1,104,529	253.91	-	-
(ii) Granted during the year	-	-	1,129,805	253.61
(iii) Forfeited during the year	78,639	240.60	25,276	240.60
(iv) Exercised during the year	-	-	-	-
(v) Outstanding at the end of the year	1,025,890	254.93	1,104,529	253.91
(vi) Exercisable at the end of the year	102,589	254.93	-	-

Weighted average remaining contractual life of options outstanding as at year end is 18 months (March 31, 2018: 27 months)

During the year ended March 31, 2019, the Company recorded an employee stock compensation expense of Rs.8.80 (March 31, 2018: Rs 6.95) in the statement of profit and loss. (refer note 27)

44 With effect from April 1, 2018, as per the roadmap issued by the Ministry of Corporate Affairs for Non-Banking Finance Companies vide notification no. G.S.R 365(E) dated March 30, 2016, for financial reporting purposes, the Company has followed the Accounting Standards as specified under Section 133 of the Companies Act, 2013, read with Rule 3 of the Companies (Indian Accounting Standard) Rules, 2015 (Ind AS). Accordingly, the information given below is disclosed by the Company based on Ind AS financial statements and other records maintained by the Company for the year ended March 31, 2019. For the purpose of these disclosures "Non-performing assets (NPA) represents Stage 3 loans and "Standard assets" represents "Stage 1" and "Stage 2" as defined in Ind AS financial statements .

Following information is disclosed in terms of the Master Direction-Non Banking Financial Company-Systematically Important, Non deposit taking and Deposit taking Company (Reserve Bank) Directions' 2016 dated September 1, 2016 as amended time to time.

44.1 Capital to risk assets ratio (CRAR)

Particulars	As at March 31, 2019	As at March 31, 2018
CRAR %	19.24	18.68
CRAR – Tier I capital (%)	16.26	15.44
CRAR – Tier II capital (%)	2.98	3.24
Amount of subordinated debts raised as Tier-II Capital	424.10	300.00
Amount raised by issue of perpetual instruments	-	-

44.2 Investments

Particulars	As at March 31, 2019	As at March 31, 2018
Value of investments		
Gross value of investments		
(a) In India	961.87	57.47
(b) Outside India	-	-
Provisions for depreciation		
(a) In India	-	-
(b) Outside India	-	-
Net value of investments		
(a) In India	961.87	57.47
(b) Outside India	-	-
Movement of provisions held towards depreciation on investments.		
(a) Opening balance	-	-
(b) Add : Provisions made during the year	-	-
(c) Less : Write-off / write-back of excess provisions during the year	-	-
(d) Closing balance	-	-

44.3 Disclosure on Un-hedged Foreign Currency Exposure

The Company has no unhedged foreign currency exposure as on March 31, 2019 and March 31, 2018.

44.4 Disclosure on Derivatives (Forward Rate Agreement / Interest Rate Swap/ Exchange Traded Interest Rate (IR) Derivatives)

The Company has not entered into any derivatives contract during the year.

44.5 Securitization/ assignment

There is no securitization/assignment transaction entered by the Company during the year.

44.6 Asset Liability Management Maturity pattern of certain items of assets and liabilities

As at March 31, 2019

	Upto 30/31 days (1 Month)	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities									
Borrowing from banks (excluding book overdrafts)*	14.13	112.50	49.17	209.17	2,142.48	4,159.20	2,405.00	40.00	9,131.65
Market borrowings*	1,010.37	1,201.38	772.35	793.64	1,040.09	2,066.19	85.00	473.85	7,442.88
Assets									
Advances	1,625.55	2,181.67	1,226.27	1,926.80	2,855.05	5,482.99	1,485.07	2,432.28	19,215.68
Investments	603.97	-	-	-	-	-	-	357.90	961.87

As at March 31, 2018

	Upto 30/31 days (1 Month)	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total
Liabilities									
Borrowing from banks (excluding book overdrafts)*	10.01	12.50	-	143.33	1,267.82	1,977.50	1,412.50	-	4,823.66
Market borrowings*	663.74	1,134.06	818.90	554.47	519.64	1,867.04	297.20	300.00	6,155.05
Assets									
Advances	2,246.45	551.51	390.28	1,105.84	2,059.37	3,689.37	1,116.13	1,999.11	13,158.06
Investments	-	-	-	-	-	-	-	57.47	57.47

*Includes interest accrued but not due of Rs. 251.67 (March 31, 2018: Rs.192.97)

44.7 Exposure to real estate sector

Direct exposure	As at March 31, 2019	As at March 31, 2018
(i) Residential mortgages	**921.29**	**936.69**
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	921.29	936.69
(ii) Commercial real estate -	**769.18**	**527.25**
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 limits	769.18	527.25
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -	-	-
a) Residential	-	-
b) Commercial Real Estate	-	-
Total Exposure to Real Estate Sector	**1,690.47**	**1,463.94**

Classification of exposures as commercial real estate exposure (cre) is based on circular no DBOD. No. BP. 11021/08.12.015/208-09

44.8 Exposure to capital market

Particulars	As at March 31, 2019	As at March 31, 2018
(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;	257.33	57.47
(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;	1,236.04	451.33
(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;	-	-
(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	**1,493.37**	**508.80**

44.8A Since there is no parent company, hence reporting on financing of parent company products is not applicable.

44.8B The Company has not made advances against intangible collaterals of the borrowers, which are classified as "Unsecured" in its financial statements.

44.8C Registration obtained from other financial regulators.

The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory and Development Authority of India(IRDAI).

44.8D During the previous year, pursuant to the compounding application filed with Securities and Exchange Board of India in relation to compliance of LODR (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had paid Rs. Nil (March 31, 2018 : Rs.0.19) towards the settlement charges. No other penalties were levied in the current year and previous year except as disclosed as above.

44.9 Ratings assigned by credit rating agencies and migration of ratings during the year

Instrument/ Agency	CRISIL		ICRA	
	As at March 31, 2019	As at March 31, 2018	As at March 31, 2019	As at March 31, 2018
Secured Non convertible debentures	AA+/Stable	AA+/Stable	AA+/Stable	AA+/Stable
Unsecured Sub-ordinated Tier-II Non convertible debentures	AA+/Stable	AA+/Stable	AA+/Stable	AA+/Stable
Long Term Bank facilities	AA+/Stable	AA+/Stable	AA+/Stable	AA+/Stable
Short Term Bank facilities	A1+	A1+	A1+	A1+
Commercial Papers	A1+	A1+	A1+	A1+

44.10 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss	For the year ended March 31, 2019	For the year ended March 31, 2018
(i) Provision for depreciation on investments	-	-
(ii) Provision towards NPA	90.26	68.44
(iii) Provision made towards income tax (including deferred tax assets)	144.56	69.13
(iv) Provision for leave encashment	4.71	3.64
(v) Provision for gratuity (including OCI)	4.61	2.66
(vi) Other provision and contingencies	-	-
(vii) Provision for standard assets	46.64	67.71

44.10A The Company has made no draw down from existing reserves.

44.11 Concentration of advances

Particulars	As at March 31, 2019	As at March 31, 2018
(i) Total advances to twenty largest borrowers/ customers	3,005.14	1,944.12
(ii) Percentage of advances to twenty largest borrowers/ customers to total advances	15.26%	14.42%

44.12 Concentration of exposure

Particulars	As at March 31, 2019	As at March 31, 2018
(i) Total exposure to twenty largest borrowers/ customers	3,005.14	1,944.12
(ii) Percentage of exposure to twenty largest borrowers/ customers to total exposure	15.26%	14.42%

44.13 Concentration of NPAs

Particulars	As at March 31, 2019	As at March 31, 2018
Total exposure to top four NPA accounts	111.67	110.53

44.14 Sector-wise NPAs

Sector	Percentage of Stage 3 assets to total advances in that sector	
	As at March 31, 2019	As at March 31, 2018
(i) Agriculture & allied activities	-	-
(ii) MSME	-	-
(iii) Corporate borrowers	5.14%	4.44%
(iv) Services	-	-
(v) Unsecured personal loans	0.87%	0.21%
(vi) Auto loans	3.79%	3.56%
(vii) Other personal loans	-	-

44.15 Movement of NPAs

Particulars	For the year March 31, 2019	For the year March 31, 2018
(i) Net NPAs to net advances (%)	2.97%	2.72%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	550.49	293.11
(b) Additions during the year	440.68	388.33
(c) Reductions during the year	111.29	130.95
(d) Closing balance	879.88	550.49
(iii) Movement of Net NPAs		
(a) Opening balance	364.92	189.48

(b) Additions during the year	278.42	260.81
(c) Reductions during the year	61.78	85.38
(d) Closing balance	581.56	364.91
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	185.57	103.62
(b) Provisions made during the year	162.26	127.52
(c) Write-off / write-back of excess provisions	49.51	45.57
(d) Closing balance	298.32	185.57

44.16 Customer Complaints

Particulars	For the year March 31, 2019	For the year March 31, 2018
(a) No. of complaints pending at the beginning of the year	70	30
(b) No. of complaints received during the year	3,261	1,847
(c) No. of complaints redressed during the year	3,171	1,807
(d) No. of complaints pending at the end of the year (resolved subsequent to the year end)	160	70

44.17 There are no NPA assets purchased / sold during the year.

44.18 Disclosures on frauds pursuant to RBI Master direction

No fraud have been identified during the Current year and previous year.

44.19 Details of Single Borrower Limits (SBL)/Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limits/group borrower limits as set by Reserve Bank of India.

44.20 Overseas Assets (for those with joint ventures and subsidiaries abroad)

There are no overseas assets owned by the Company.

44.21 Off-balance sheet SPVs sponsored

The are no off balance sheet SPVs sponsored Company.

44.22 Prior period items

There are no prior period items.

44.23 Revenue recognition

Refer note 3(h) under summary of significant accounting policies.

44.24 Consolidated financial statements

The Company prepares consolidated financial statements

44.25 Disclosure of restructured accounts

S. No.	Type of Restructuring Asset Classification Details		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
	Standard		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable))	No. of Borrowers	-	-	-	-	-	-	-	-		-	-	1.00	2.00	-	3.00	-	1.00	2.00	-	3.00
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	0.37	31.01	-	31.38	-	0.37	31.01	-	31.38
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.01	8.75	-	8.76	-	0.01	8.75	-	8.76
2	Fresh restructuring during the year	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	1.00	-	-	1.00	-	1.00	-	-	1.00
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	0.37	-	-	0.37	-	0.37	-	-	0.37
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	0.01	-	0.01	-	-	0.01
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

5	Downgradations of restructured accounts during the FY (net of recast during the year)*	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	2.00	-	2.00	-	-	2.00	-	2.00
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	31.05	-	31.05	-	-	31.01	-	31.05
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	6.75	-	6.75	-	-	6.74	-	6.75
6	Write-offs of restructured accounts during the FY	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the FY (closing figures excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable))	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

*Classified to credit impaired assets (NPA accounts) from restructuring asset considering continuing default.

44.26 Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial company (as required in terms of Annex II as amended from time to time of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016)

S. No.	Particulars	As at March 31, 2019		As at March 31, 2018	
	Liabilities side:	**Amount outstanding**	**Amount overdue**	**Amount outstanding**	**Amount overdue**
1	**Loans and advances availed by the non- banking financials company inclusive of interest accrued there on but not paid**				
	(a) Debentures:				
	Secured	3,006.19	-	3,054.68	-
	Unsecured	445.62	-	317.68	-
	(other than falling within the meaning of public deposits)				
	(b) Deferred credits		-	-	-
	(c) Term loans	7,445.65	-	3,711.59	-
	(d) Inter-corporate loans and borrowing		-	-	-
	(e) Commercial paper	3,991.06	-	2,782.69	-
	(f) Public deposits	-	-	-	-
	(g) Others :				
	External commercial borrowing	200.00		-	
	Secured Cash Credit from bank (excluding book overdrafts)	1,070.85	-	835.92	-
	Other loan from banks				
	Secured- working capital demand loan	390.14	-	210.09	-
	Unsecured – working capital demand loan and cash credit	25.01	-	66.06	-

	Assets side:	**As at March 31, 2019**	**As at March 31, 2018**
2	**Break-up of loans and advances including bills receivables [other than those included in (4) below] (Net off provision on NPA)**		
	(a) Secured	15,980.36	11,181.91
	(b) Unsecured	3,418.38	2,112.59
3	**Break up of leased assets and stock on hire and hypothecation loans counting towards Asset Finance Company (AFC) activities**		
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease	-	-
	(b) Operating lease	3.42	1.93

(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:	As at March 31, 2019	As at March 31, 2018
Current Investments :		
1. Quoted :		
(i) Shares :		
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (please specify)	-	-
2. Unquoted :	-	-
(i) Shares :	-	-
(a) Equity	-	-
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	530.21	-
(iv) Government Securities		-
(v) Others: Commercial paper	73.76	-
Long Term investments :		-
1. Quoted :		-
(i) Shares :		
(a) Equity	0.35	0.49
(b) Preference	9.00	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-

(v) Others (please specify)	-	-
2. Unquoted :		
(i) Shares :		
(a) Equity	256.98	56.98
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (alternative investment fund)	91.57	-

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

	Category	As at March 31, 2019			As at March 31, 2018		
		Secured	Unsecured	Total	Secured	Unsecured	Total
5.1	Related Parties						
	(a) Subsidiaries	-	-	-	-	-	-
	(b) Companies in the same group	-	-	-	-	-	-
	(c) Other related parties	-	233.40	233.40	-	159.00	159.00
5.2	Other than related parties	15,980.36	3,184.98	19,165.34	11,181.91	1,953.59	13,135.50
	Total*	**15,980.36**	**3,418.38**	**19,398.74**	**11,181.91**	**2,112.59**	**13,294.50**

*Net off provision on NPA assets

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

	Category	As at March 31, 2019		As at March 31, 2018	
		Market value / break up or fair value or NAV	Book value (net of provisions)	Market value / break up or fair value or NAV	Book value (net of provisions)
6.1	Related Parties				
	(a) Subsidiaries	250.00	250.00	50.00	50.00
	(b) Companies in the same Group	0.35	0.01	0.49	0.01
	(c) Other related parties			-	-
6.2	Other than related partes	711.52	708.86	6.98	6.98
	Total	**961.87**	**958.87**	**57.47**	**56.99**

7 Other Information

	Particulars	As at March 31, 2019	As at March 31, 2018
7.1	Gross non-performing assets		
	(a) Related parties		-
	(b) Other than related parties	879.88	550.49
7.2	Net non-performing assets		
	(a) Related parties		-
	(b) Other than related parties	581.56	364.91
7.3	Assets acquired in satisfaction of debt		-

45 There are no loan against gold portfolio as at March 31, 2019 and March 31, 2018.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERO FINCORP LIMITED

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hero FinCorp Limited (hereinafter referred to as the 'Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group") which comprise the consolidated balance sheet as at 31 March 2019, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements" or "financial statements").

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 Companies Act, 2013 ("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 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment loss allowance on loans to customers	
Refer to the accounting policies in "Note 3(b) to the consolidated financial statements: Impairment of financial assets", "Note 2.5 to the consolidated financial statements: Significant Accounting Policies- use of estimates and judgments" and "Note 7 to the consolidated financial statements: Loans"	
Subjective estimate Recognition and measurement of impairment of loans involves significant management judgement.	Our audit procedures included: • Understanding management's processes, systems and controls implemented in relation to impairment allowance process.

With the applicability of Ind AS 109, credit loss assessment is based on expected credit loss (ECL) model. Management exercises judgement in determining the quantum of loss based on a range of factors. The significant areas are: - Segmentation of loan book - Loan staging criteria - Calculation of probability of default/ loss given default - Consideration of forward looking macro-economic factors - Little historical industry experience to predict the likelihood of these loans falling into arrears (to the extent applicable) As detailed in accounting policy (refer note 3 to the financial statements), the determination of loan impairment provisions is inherently judgmental and relies on managements' best estimate of a variety of inputs. Wherever data was not available, reasonable alternatives are applied. Given the size of loan book relative to the balance sheet and the impact of impairment provision on the books, we have considered this as a key audit matter. Estimates, by their nature, give rise to a higher risk of material misstatement.	• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge. • Involving our modelling specialist to understand the model methodology and reasonableness of assumptions used. • Testing the accuracy of key inputs used in the calculation and evaluating the reasonableness of the assumptions made. • Testing the PD and LGD calculation workings performed by management. • Changes to the modelling assumptions were assessed to confirm these were appropriate. • Considering the adequacy of the Company's disclosure on impairment loss and key assumptions.
Measurement of Interest using effective interest rate method	
Subjective estimate The interest income on loans is recognised using the effective interest rate ('EIR') method which spreads directly attributable cashflows over the expected lives of the loans. This includes the one-time non-refundable fee earned by the Company and costs incurred to generate loans. The Company carries out the necessary computations for making relevant adjustments, after making judgements and assumptions for tenor, portfolio segregation, rate of interest etc. The assumptions in calculations are: - expected life of instruments - usage pattern , and redemption profiles of loans informed by past customer behaviour - industry trend in the absence of sufficient historical experience to predict behaviour of the customers. - Grouping of portfolios In view of above mentioned judgements and computations carried out by management, we have considered this as a key audit matter.	Our audit procedures included: • Testing of key controls in relation to the accuracy of data inputs from the systems into the effective interest rate models • Assessing the design and implementation of key internal financial controls over calculations used by model • Inspecting a sample to ensure that pricing structure, fees and costs are appropriately incorporated into the EIR models as required by the relevant accounting standards. • Testing the EIR computations carried out by the management. • Considered publically available information for determining expected life, to the extent applicable; and • Considering the sensitivity of the model to changes in key assumptions.

Key audit matter	How our audit addressed the key audit matter
Changes to the consolidated financial statements due to transition to Ind AS *Refer to the accounting policies in 2.1 to the consolidated financial statements: Significant Accounting Policies- Transition to Ind AS" and "Note 40 to the consolidated financial statements: Transition to Ind AS"*	
On 1 April 2018, the Group adopted the Indian Accounting Standard ("Ind AS") notified by the Ministry of Corporate Affairs with effect from 1 April 2017, being the transition date. The Company has followed Ind AS notified under Section 133 of the Companies Act 2013 ('the Act'), read with the relevant rules for preparation of the Statement. Basis the transition from the previous GAAP to Ind AS, the major areas being impacted are: - Impairment loss allowance of loans to customers - Fair valuation of financial instruments - Deferred tax - Presentation and disclosures of the consolidated financial statements	Our audit procedures included the following: • Understood the methodology planned by the management to give impact to the transition adjustments. • Assessed that the adjustments made for the consolidated financial statements are in line with the Ind AS requirements. • Tested the accuracy of key inputs used in the calculation and independently evaluated the reasonableness of the assumptions made for the adjustments. • We assessed the accuracy of the computations. • Verified the appropriateness of the disclosures required for the first time adoption of Ind AS
IT Systems and Controls	
The Group's key financial accounting and reporting processes are dependent on the information systems including automated controls in system, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. Amongst, its multiple system, two systems namely Finnone and Vector are key for its overall financial reporting. We have identified "IT systems and controls" as key audit matter because of high level of automation, significant number of systems being used by the management and complexity of the IT architecture	Our key audit procedures included: **General IT controls / user access management** • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We have also tested design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of reports. Further, tested key controls over user access management around automated controls. • Other areas that were independently assessed included password policies, security configurations, controls over changes to applications and databases and other business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Board of Directors of the companies 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 each company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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 the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act,

we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (company and subsidiaries) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group to express an opinion on the consolidated financial statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities.

We communicate with those charged with governance of the Holding Company and such other entity included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The comparative financial information of the Group for the year ended 31 March 2018 and the transition date opening balance sheet as at 1 April 2017 included in these consolidated financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended 31 March 2018 and 31 March 2017 dated 30 April 2018 and 8 May 2017 respectively expressed an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies is disqualified as on 31 March 2019 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 with reference to financial statements of the Holding Company and its subsidiary company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

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

i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2019 on the consolidated financial position of the Group. Refer Note 35.2 to the consolidated financial statements;

ii. The Group has made provisions, as required under the applicable laws or accounting standards, for material foreseeable losses, if any, on long-term contracts. The Group does not have any derivative contracts for which there were any material foreseeable losses. Refer Note 35.3 to the consolidated financial statements;

iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company. Further, there are no amounts which are required to be transferred to the Investor Education and Protection Fund by its subsidiary company; and

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the consolidated financial statements since they do not pertain to the financial year ended 31 March 2019.

C. With respect to the matter to be included in the Auditor's report under section 197(16), in our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act. Further, subsidiary Company has not paid remuneration to its directors during the current year. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
(Firm's Registration No. 101248W/ W-100022)

Jiten Chopra
Partner
(Membership No. 092894)

Place: Gurugram
Date: 24 April 2019

Annexure A to the Independent Auditors' report on the consolidated financial statements of Hero FinCorp Limited for the period ended 31 March 2019

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph [A(f)] under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of Hero FinCorp Limited (hereinafter referred to as "the Holding Company") and such company incorporated in India under the Companies Act, 2013 which is its subsidiary company, as of that date.

In our opinion, the Holding Company and a Company incorporated in India which is its subsidiary company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note. 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 respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. 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 with reference to consolidated financial statements were 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 with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements 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 controls with reference to consolidated financial statements 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 with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP
Chartered Accountants
(Firm's Registration No. 101248W/ W-100022)

Jiten Chopra
Partner
(Membership No. 092894)

Place: Gurugram
Date: 24 April 2019

Consolidated Balance Sheet as at March 31, 2019

Particulars	Note	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Assets				
Financial assets				
Cash and cash equivalents	4	106.68	0.69	2.76
Bank balance other than cash and cash equivalents	5	0.55	0.48	0.55
Trade receivables	6	4.34	5.78	10.28
Loans	7	19,771.20	13,158.06	9,650.56
Investments	8	811.98	53.72	56.61
Other financial assets	9	51.62	41.20	3.95
Non Financial Assets				
Current tax assets (net)	10	16.39	10.12	9.50
Deferred tax assets (net)	11	176.63	123.14	70.12
Property, plant and equipment	12	82.08	96.26	97.66
Other intangible assets	12.1	21.69	14.49	7.44
Intangible assets under development	12.1	0.16	-	-
Other non-financial assets	13	25.41	18.61	8.08
Total assets		**21,068.73**	**13,522.55**	**9,917.51**
Liabilities and equity				
Liabilities				
Financial liabilities				
Trade payables	14			
- Total outstanding dues of micro enterprises and small enterprises; and		0.02	0.08	0.05
- Total outstanding dues of creditors other than micro enterprises and small enterprises		119.58	72.77	54.87
Debt securities	15	6,852.95	5,672.09	3,002.83
Borrowings (other than debt securities)	16	9,344.69	4,813.65	4,467.95
Subordinated liabilities	17	448.78	300.00	200.00
Other financial liabilities	18	569.42	359.51	230.15
Non-financial liabilities				
Current tax liabilities (net)	19	33.53	14.87	21.97
Provisions	20	24.05	14.90	9.01
Other non-financial liabilities	21	33.85	26.23	12.00
Total liabilities		**17,426.87**	**11,274.10**	**7,998.83**
Equity				
Equity share capital	22	114.15	98.45	92.68
Other equity	23	3,527.71	2,150.00	1,826.00
Total equity		**3,641.86**	**2,248.45**	**1,918.68**
Total liabilities and equity		**21,068.73**	**13,522.55**	**9,917.51**

Significant accounting policies	**3**
Notes to the consolidated financial statements	**1 to 43**

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

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of **Hero FinCorp Limited**

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain	**Shivendra Suman**
Chief Financial Officer	Company Secretary
(FCA: 110412)	(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Consolidated Statement of Profit and Loss for the year ended March 31, 2019

Particulars	Note	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	24		
Interest income		2,247.51	1,533.88
Dividend income		0.50	0.01
Profit on sale of investments		47.28	3.64
Rental income		17.48	22.85
Net gain on fair value changes		2.63	3.19
Insurance commission		0.48	-
Others charges		202.59	130.94
Total income		**2,518.47**	**1,694.51**
Expenses			
Finance costs	25	1,124.71	683.66
Impairment allowance on loans	26	138.13	136.15
Employee benefits expenses	27	237.35	147.61
Depreciation and amortization	12	24.88	26.52
Other expenses	28	602.36	488.21
Total expenses		**2,127.43**	**1,482.15**
Profit before tax		391.04	212.36
Tax expense:	11		
(i) Current tax		198.05	125.44
(ii) Tax adjustment relating to earlier year		-	(3.25)
(ii) Deferred tax credit (net)		(52.76)	(52.76)
Total tax expense		**145.29**	**69.43**
Net profit after tax from operations		**245.75**	**142.93**
Other comprehensive income/ (loss)			
Items that will not be reclassified to profit or loss:-			
Remeasurement of (losses) on defined benefit plans		(2.09)	(0.74)
Income tax impact on above		0.73	0.26
Other comprehensive income/ (loss) for the year, net of tax		**(1.36)**	**(0.48)**
Total comprehensive income/ (loss) for the year, net of tax		**244.39**	**142.45**
Profit for the year attributable to			
Equity shareholder of the parent		245.75	142.93
Total comprehensive income for the year, net of tax			
Equity shareholder of the parent		244.39	142.45

	Note		
Earning per equity share	29		
Equity shareholder of parent for the year:			
Basic (Rs.)		23.78	15.32
Diluted (Rs.)		23.73	15.30
Significant accounting policies	**3**		
Notes to the consolidated financial statements	**1 to 43**		

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

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Consolidated Statement of Changes in Equity for the year ended March 31, 2019

A. Equity share capital

Particulars	**Number of shares**	**Amount**
Equity share of Rs 10 each, issued, subscribed and fully paid		
As at April 1, 2017	**92,679,716**	**92.68**
Issued during the year	5,765,905	5.77
As at March 31, 2018	**98,445,621**	**98.45**
Issued during the year	15,652,561	15.65
As at March 31, 2019	**114,098,182**	**114.10**
Equity share of Rs 10 each, issued, subscribed and partly paid (Rs 5 each called up and paid up)		
As at April 1, 2017	**-**	**-**
Issued during the year	-	-
As at March 31, 2018	**-**	**-**
Issued during the year	98,739	0.05
As at March 31, 2019	**98,739**	**0.05**
As at March 31, 2019	**114,196,921**	**114.15**

Consolidated Statement of Changes in Equity for the year ended March 31, 2019

B. Other Equity

Particulars	Reserves and Surplus				Other comprehensive income/ (loss)	Stock Options Outstanding account	Money received against share warrant	Total attributable to equity shareholder of the parent	Total non - controlling interest	Total
	Statutory reserve	Securities premium	General reserve	Retained earnings	Remeasurments of defined benefit plans					
As at April 1, 2017	**103.02**	**1,429.43**	**49.85**	**141.10**	-	-	**102.60**	**1,826.00**	-	**1,826.00**
Profit for the year	-	-	-	142.93	-	-	-	142.93	-	142.93
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(0.48)	-	-	(0.48)	-	(0.48)
Transfers to retained earnings	-	-	-	(0.48)	0.48	-	-	-	-	-
Total comprehensive income/ (loss)	103.02	1,429.43	49.85	283.55	-	-	102.60	1,968.45	-	1,968.45
Conversion of share warrants to equity shares	-	-	-	-	-	-	(102.60)	(102.60)	-	(102.60)
Dividend paid on equity shares	-	-	-	(13.90)	-	-	-	(13.90)	-	(13.90)
Dividend distribution tax on dividend	-	-	-	(2.83)	-	-	-	(2.83)	-	(2.83)
Transfers from retained earnings to statutory/ general reserve	32.50	-	16.25	(48.75)	-	-	-	-	-	-
Share issue expenses	-	(0.30)	-	-	-	-	-	(0.30)	-	(0.30)
Securities premium received	-	294.23	-	-	-	-	-	294.23	-	294.23
Share based payment charge	-	-	-	-	-	6.95	-	6.95	-	6.95
As at March 31, 2018	**135.52**	**1,723.36**	**66.10**	**218.07**	-	**6.95**	-	**2,150.00**	-	**2,150.00**
Profit for the year	-	-	-	245.75	-	-	-	245.75	-	245.75
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	-	(1.36)	-	-	(1.36)	-	(1.36)
Transfers to retained earnings				(1.36)	1.36	-	-	-	-	-
Total comprehensive income/ (loss) for the year	135.52	1723.36	66.10	462.46	-	6.95	-	2394.39	-	2394.39
Dividend paid on equity shares	-	-	-	(29.77)	-	-	-	(29.77)	-	(29.77)
Dividend distribution tax on dividend	-	-	-	(6.12)	-	-	-	(6.12)	-	(6.12)

Transfers from retained earnings to statutory/ general reserve	53.68	-	26.84	(80.52)	-	-	-	-	-	-
Share issue expenses	-	(1.56)	-	-	-	-	-	(1.56)	-	(1.56)
Securities premium received	-	1,161.92	-	-	-	-	-	1161.92	-	1161.92
Share based payment charge	-	-	-	-	-	8.85	-	8.85	-	8.85
As at March 31, 2019	**189.20**	**2,883.72**	**92.94**	**346.05**	**-**	**15.80**	**-**	**3,527.71**	**-**	**3,527.71**
Significant accounting policies	**3**									
Notes to the consolidated financial statements	**1 to 43**									

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

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra
Partner
Mem. No: 092894

Pawan Munjal
Chairman
(DIN :- 00004223)

Renu Munjal
Managing Director
(DIN :- 00012870)

Abhimanyu Munjal
Jt.Managing Director & CEO
(DIN :- 02822641)

D. N. Davar
Director
(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 18339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Consolidated Statement of Cash Flow for the year ended March 31, 2019

	Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
A.	**Cash flow from operating activities**		
	Profit before tax	**391.04**	**212.36**
	Adjustment for :		
	Depreciation and amortization	24.88	26.52
	Impairment allowance on loans	138.13	136.15
	Dividend income from investments	(0.50)	(0.01)
	Discount on commercial paper	306.22	144.99
	Bad debts written off	36.17	82.99
	Employee stock option expense	10.21	6.95
	Net loss on sale of property, plant and equipment	3.14	3.59
	Interest on fixed deposit and alternative investment fund	(1.61)	-
	Net gain on financial instruments at fair value through profit and loss	(2.63)	(3.19)
	Gain on sale of investments	(47.28)	(3.64)
	Operating loss before working capital changes and taxes	**857.77**	**606.62**
	Decrease in trade receivables	1.44	4.50
	(Increase) in loans	(6,787.43)	(3,726.65)
	(Increase)/ decrease in bank balance other than cash and cash equivalents	(0.07)	0.07
	(Increase) in other financial assets	(10.42)	(37.25)
	(Increase) in other non financial assets	(6.14)	(5.50)
	Increase in other financial liabilities	206.59	129.45
	Increase in trade payables	46.73	17.96
	Increase in other non financial liabilities	7.62	14.22
	Increase in provisions	7.07	5.15
	Net cash flow (used in) operation before adjustments of taxes	**(5,676.84)**	**(2,991.43)**
	Income tax paid	(185.66)	(129.91)
	Net cash flow (used in) operating activities (A)	**(5,862.50)**	**(3,121.34)**
B.	**Cash from investing activities**		
	Purchase of property, plant and equipment and other intangible assets	(29.03)	(48.58)
	Proceeds from sale of property, plant and equipment	9.14	7.68
	Dividend received	0.50	0.01
	Interest on fixed deposit and alternative investment fund	1.61	-
	Purchase of investments	(15,074.75)	(7,639.80)
	Sale of investments	14,366.40	7,649.53
	Net cash flow (used in) investing activities (B)	**(726.13)**	**(31.16)**

C. Cash flow from financing activities		
Proceeds from share issue and share warrants	1,176.06	197.10
Debt securities issued	14,918.71	10,089.37
Debt securities repaid	(14,044.08)	(7,565.01)
Borrowings (other than debt securities) taken	6,516.05	2,275.00
Borrowings (other than debt securities) repaid	(1,985.01)	(1,929.30)
Subordinated liabilities issued (net of cost)	148.78	100.00
Dividend paid	(29.77)	(13.90)
Dividend distribution tax	(6.12)	(2.83)
Net cash flow from financing activities (C)	**6,694.62**	**3,150.43**
D. Net increase / (decrease) in cash and cash equivalents **(A+B+C)**	105.99	(2.07)
Cash and cash equivalents at the beginning of the year	0.69	2.76
Cash and cash equivalents at the end of the year*	**106.68**	**0.69**
*Components of cash and cash equivalents		
Balances with banks (current accounts)	56.68	0.69
Deposit with banks (original maturity less than three months)	50.00	-
	106.68	**0.69**

(i) As per section 135 of the Companies Act, 2013, a Corporate Social Responsibility ("CSR") committee has been constituted by the Group and during the period an amount of Rs. 5.05 (March 31, 2018: Rs. 2.53) has been spent by the Group on CSR activities.

(ii) The Cash Flow Statement has been prepared in accordance with 'Indirect method' as set out in Ind AS - 7 on 'Statement of Cash Flows', as notified under Section 133 of the Companies Act 2013, read with the relevant rules thereunder. The borrowing from cash credit is revolving in nature and is disclosed on net basis under financing activities

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain	**Shivendra Suman**
Chief Financial Officer	Company Secretary
(FCA: 110412)	(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Notes Forming Part of the Consolidated Financial Statements

Note 1: Corporate Information

Hero FinCorp Limited ("the Holding Company" or "the Company") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on 16 December 1991. The Holding Company is registered as a Non-Banking financial (Non deposit accepting) Company, engaged in the business of financing, leasing, bill discounting and related financial services, with the Reserve Bank of India (Registration No. 14.00266). The address of the Holding Company's registered office is 34, Community Centre, Basant Lok, Vasant Vihar, New Delhi - 110057, India

Note 2: Basis of preparation

2.1 Statement of Compliance

These consolidated financial statements (herein after referred to as "consolidated financial statements" or "financial statements") of Hero FinCorp Limited and its subsidiary ("the Group") have been prepared in accordance with the Indian Accounting Standard (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act. The consolidated financial statements upto the year ended 31 March 2018 were prepared in accordance with the Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (previous GAAP), notified under Section 133 of the Act and other relevant provisions of the Act.

As these financial instruments are the first consolidated financial statements under Ind AS, Ind AS 101, *First-time adoption of Indian Accounting Standards*, has been applied. Refer note 41 explaining the transition of financial position, financial performance and cash flows from previous GAAP to Ind AS.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

The consolidated financial statements were authorized for issue by the Company's Board of Directors on April 24, 2019.

2.2 Basis of measurement and presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value (refer to accounting policies) such as Net defined (asset)/ liability present value of defined benefit obligations, investments carried at fair value through profit or loss and share-based payments. The method used to measured fair value are discussed further in notes to consolidated financial statements.

The Consolidated Balance Sheet, the Consolidated Statement of Change in Equity and the Consolidated Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ("NBFCs") that are required to comply with Ind AS. The Consolidated Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

2.3 Basis of consolidation

The Company is able to exercise control over the operating decisions of the investee company, resulting in variable returns to the Company, and accordingly, the same has been classified as investment in subsidiary and line by line by consolidation has been carried under the principles of consolidation. The Consolidated financial statements of the Group have been prepared on the following basis:

a) The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as that of the Holding Company i.e. March 31, 2019.

b) The Financial statements of the Holding Company and its subsidiary have been combined on a line-by-line basis by adding together like items of asset, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealized profit or losses, unless cost cannot be recovered.

c) Non-controlling interest (NCI) in the net assets of the subsidiary consist of the amount of equity attributable to the minority shareholders at the date on which investment in the subsidiary were made and further movement in their share in the equity, subsequent to the dates of investments. Net profit/ loss for the year of subsidiary attributable to NCI is identified and adjusted against the profit after tax of the Group to arrive at the profit attributable to shareholders of the Group.

d) Following subsidiary company has been considered in the presentation of the consolidated financial statements:

Name of the entity	Relationship	Country of incorporation	Ownership held by	% of shareholding
Hero Housing Finance Limited	Subsidiary	India	Company	100%

e) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are prepared to the extent possible, for all significant matters in the same manner as the Company's separate financial statements.

2.4 Functional and presentation currency

These consolidated financial statements are prepared in Indian Rupees (INR), which is the Group functional currency. All financial information presented in INR has been rounded to the nearest Crore and two decimals thereof, except as stated otherwise.

2.5 Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Judgements, assumptions and estimation uncertainties

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which have a significant impact on the carrying amount of assets and liabilities at each balance sheet date:

Business model assessment

Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Impairment of financial assets: The Group establishes criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determines methodology for incorporating forward looking information into measurement of expected credit loss ('ECL') and selection of models used to measure ECL.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is carried out in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment of financial instruments:

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience (to the extent available) and credit assessment and including forward looking information.

Effective Interest Rate (EIR) method

The Group EIR methodology, recognizes interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans given / taken and recognizes the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behavior and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

Measurement of defined benefit obligations: key actuarial assumptions.

The measurement of obligations related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the rate of future compensation increases, withdrawal rate, mortality rates etc. The management has used the past trends and future expectations in determining the assumptions which are used in measurements of obligations.

Recognition of deferred tax assets: The Holding Company has recognized deferred tax assets/ (liabilities) and concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the experience and future projections. The

Company is expected to generate adequate taxable income for liquidating these assets in due course of time.

The Subsidiary Company while determining whether deferred tax assets should be recognized the Company do the assessment based on the taxable projections whether future taxable income will be available against which unused tax losses and tax credits will be used. Considering existence of unused tax losses / credits, the Subsidiary Company has done the assessment and recognized deferred tax assets / (liabilities) only to the extent it is probable that future taxable profits will be made available against unused tax losses and credits can be used.

Recognition and measurement of provisions and contingencies: The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Group business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

2.6 Measurement of fair value

The Group's accounting policies and disclosures require/ may require measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group measures financial instruments, such as, investments, at fair value at each reporting date. Also, fair value of financial instruments measured at amortized cost and FVTPL is disclosed in Note 39.

Note 3: Significant accounting policies

(a) Financial instruments

Initial recognition and measurement

Financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets - Classification

On initial recognition, a financial asset is classified as measured at either of:

- Amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset being 'debt instrument' is measured at the amortized cost, only if both of the following conditions are met and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

  A financial asset being 'debt instrument' is measured at the FVTOCI if both of the following criteria are met and is not designated as at FVTPL:
- The asset is held within the business model, whose objective is achieved both by collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realized in a way that is different from the original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group claim to cash flows from specified assets (e.g. non- recourse features)

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated Statement of Profit and Loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated Statement of Profit and Loss. Any gain or loss on derecognition is recognized in the consolidated Statement of Profit and Loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in Statement of Profit and Loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated Statement of Profit and Loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in Statement of Profit and Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to the consolidated Statement of Profit and Loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in Statement of Profit and Loss. Any gain or loss on derecognition is also recognized in the consolidated Statement of Profit and Loss. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Derecognition

Financial asset – Derecognition due to substantial modification of terms and conditions

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Financial asset – Derecognition other than due to substantial modification

A financial asset, such as a loan to a customer, is derecognized only when:

- the Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the Group has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Derecognition - Financial liability

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the consolidated Statement of Profit and Loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its certain foreign currency risks. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each period. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated Statement of profit or loss.

(b) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and financial assets measured at FVOCI- debt investments. At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired 'when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer; or
- breach of contract such as a default or being past due.

The Group applies the ECL model in accordance with Ind AS 109 for recognizing impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been significant increase in credit risk. When determining whether the risk of default on the financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Group historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Group categories financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

LGD estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrower will default on their obligation in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group.

The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Group regularly reviews its models in the context of actual loss experience and make adjustments when such differences are significantly material.

The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in profit or loss.

After initial recognition, trade receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. The Group follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognized at each reporting date, right from initial recognition of the receivables.

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Consolidated Statement of Profit and Loss and is recognized in OCI.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

(c) Cash and cash equivalents

Cash and cash equivalent in the consolidated balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the cash management.

(d) Property, plant and equipment

Initial recognition and measurement

The cost of an item of Property, plant and equipment is recognized as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located.

Gains or losses arising from the retirement or disposal of a property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized as income or expense in the Consolidated Statement of Profit and Loss.

The cost of fixed assets not ready for their intended use is recorded as capital work-in-progress before such date. Cost of construction that relate directly to specific fixed assets and that are attributable to construction activity in general and can be allocated to specific fixed assets are included in capital work-in-progress

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognized as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such property, plant and equipment (refer note 40)

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method as per useful life prescribed in Schedule II of the Act, and is generally recognized in the statement of profit and loss. Depreciation/ amortization is charged on a pro-rata basis for assets acquired/sold during the year from/to the date of acquisition/sale.

Based on technical evaluation and assessment of useful lives, the management believes that its estimate of useful lives represent the period over which management expects to use these assets.

Depreciation method, assets residual values and useful lives are reviewed at each financial year end considering the physical condition of the assets for review and adjusted residual life prospectively.

(e) Intangible assets

Initial recognition and measurement

Intangible assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. The cost of such assets includes purchase price, licensee fee, import duties and other taxes and any directly attributable expenditure to bring the assets to their working condition for intended use. The Group other intangible assets mainly include the value of computer software.

Amortization methods, estimated useful lives and residual value

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the consolidated statement of profit and loss.

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives, as follows:

- Computer software – 6 years

Subsequent expenditure is recognized as an increase in the carrying amount of the assets are carried when it is probable that future economic benefit deriving from the cost incurred will flow to the enterprise and the cost of the item can be measured reliably.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its intangible assets recognized as at 1 April 2017, measured as per the previous GAAP, and use that carrying value as the deemed cost of such intangible assets (refer note 40).

(f) Impairment of non-financial assets

The Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of profit and loss. Impairment losses recognized in respect of CGUs are reduced from the carrying amounts of the assets of the CGU.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance cost.

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognized when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are not recognized 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 recognized in the year in which the change occurs.

(h) Revenue recognition

Interest income

Interest income on a financial asset at amortized cost is recognized on a time proportion bases taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fee received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

Other financial charges

Penal interest or other overdue charges which are not included in EIR are recognized on receipt basis.

Dividend income

Dividend income is recognized when the right to received income is established. Usually, this is the ex-dividend date of quoted equity securities. This is generally when the shareholders approve the dividend.

Lease rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the consolidated statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms.

(i) Employee benefits

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Benefits such as salaries, wages and bonus etc., are recognized in the Statement of Profit and Loss in the period in which the employee provides the related service.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Provident Fund: Provident fund is a defined contribution plan. The Group expenses its contributions towards provident fund which are being deposited with the Regional Provident Fund Commissioner.

Superannuation Fund: Contributions are made to a scheme administered by the Life Insurance Corporation of India to discharge superannuating liabilities to the employees, a defined contribution plan, and the same is expensed to the Consolidated Statement of Profit and Loss. The Group has no liability other than its annual contribution.

Defined benefit plans

The Group's gratuity scheme is an unfunded defined benefit plan. The Group pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. The present value of obligations under such defined benefit plans are based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognize 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 rate used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity period approximating to the terms of related obligations.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements. Changes due to service cost and net interest cost / income is recognized in the statement of profit and loss. Re-measurements of net defined benefit liability / (asset) which comprise of actuarial gains and losses are recognized in other comprehensive income.

Other long term employee benefits

Benefits under compensated absences constitute other employee benefits. Employee entitlements to annual leave are recognized when they accrue to the eligible employees. An accrual is made for the estimated liability for annual leave as a result of services provided by the eligible employees up to the Balance Sheet date. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Expenses are recognized immediately in the Consolidated Statement of Profit and Loss.

Share based payments

The Group recognizes compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

(j) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease. At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values.

Group as a lessee

Leases that do not transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognized based on contractual terms. Contingent rental payable is recognized as an expense in the period in which they it is incurred.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in rental income in the Consolidated statement of profit or loss, unless the increase is in line with expected general inflation, in which case lease income is recognized based on contractual terms. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognize over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(k) Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognized as current tax in the statement of profit and loss.

Current tax assets and liabilities are offset only if, the Group:

a) has a legally enforceable right to set off the recognized amounts; and
b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously

Deferred tax

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available.

Therefore, in case of a history of recent losses, the Holding Company and its subsidiary has recognized deferred tax asset only to the extent that they heve sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized.

Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

(l) Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency of the Group at the exchange rates prevailing on the date of the transaction. Exchange differences arising due to the differences in the exchange rate between the transaction date and the date of settlement of any monetary items are taken to the statement of profit and loss. Monetary assets and monetary liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet and resultant gain/ loss is taken to the Consolidated Statement of Profit and Loss.

(m) Dividends on ordinary shares

The Group recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws in India, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

(n) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs).

All other borrowing costs are expensed in the period in which they occur.

(o) Earnings per share

Basic earnings per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares, expect where the results are anti-dilutive.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group other components, and for which discrete financial information is available. The Group is engaged in the business of financing, leasing and related financial services. Based on the dominant source and nature of risks and returns of the Group, management has identified its business segment as its primary reporting format.

(q) Statement of Cash flows

The Consolidated Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

(r) Standards issued but not yet effective

Ind AS 116 Leases: The Group is required to adopt Ind AS 116, *Leases* from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases. The Group is currently evaluating the impact of Ind AS 116 on its financial statements.

Key Amendments to other Ind AS:

Ind AS 12, Income Taxes: Recognition of income tax consequences of dividends: Clarifies that the income tax consequences of distribution of profits (i.e. dividends), should be recognized when a liability to pay dividend is recognized. The income tax consequences should be recognized in the Statement of profit and loss, other comprehensive income or equity according to where the past transactions or events that generated distributable profits were originally recognized. The Group is currently assessing the impact of application of this amendment on the Group financial statements.

Ind AS 19, Employee Benefits: Clarifies that when a plan amendment, curtailment or settlement occurs: The updated actuarial assumptions used in re-measuring the plan are applied to determine the current service cost and net interest for the remainder of the annual reporting period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in OCI. The Group is currently assessing the impact of application of this amendment on the Group financial statements.

Ind AS 109, Financial Instruments: Prepayment Features with Negative Compensation: It allow particular financial assets with prepayment features that may result in negative compensation - e.g. the lender receives less than the par amount and accrued interest and effectively compensates the borrower for the borrower=s early termination of the contract - to be measured at amortized cost or at FVOCI (subject to the business model assesement). Before the amendments, these instruments were measured at FVTPL because the SPPI criterion would not be met when the party that chooses to terminate the contract early may receive compensation for doing so.

The amendments clarify that irrespective of the event or circumstance that causes the early termination of the contract, either party may pay or receive reasonable compensation for that early termination. The amendments remove the requirement for the compensation to be 'additional'. Accordingly, a prepayment amount that is less than the unpaid amounts of principal and interest (or less than the contractual par amount plus accrued interest) may meet the SPPI criterion if it is determined to include reasonable compensation for early termination. The Group is currently assessing the impact of application of this amendment on the Group financial statements.

Note 4: Cash and cash equivalents

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Balances with banks (current accounts)	56.68	0.69	2.76
Deposit with banks (original maturity less than three months)	50.00	-	-
	106.68	**0.69**	**2.76**

Note 5: Bank balance other than cash and cash equivalents

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Dividend accounts (earmarked accounts)	0.55	0.48	0.55
	0.55	**0.48**	**0.55**

Note 6: Trade receivables

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
(i) Receivables considered good - secured	-	-	-
(ii) Receivables considered good - unsecured	4.34	5.78	10.28
(iii) Receivables which have significant increase in credit risk	-	-	-
(iv) Receivables - credit impaired	-	-	-
	4.34	5.78	10.28
Less : Impairment loss allowance	-	-	-
	4.34	**5.78**	**10.28**

No trade receivable are due from directors or other officers of the Group either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Refer note-36 for receivables from related parties

Note 7: Loans

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
A. Loans - Amortised cost			
Loans other than bill purchased and bill discounted	19,624.80	13,000.85	9,477.62
Bills purchased and bills discounted	623.83	469.45	333.40
Loans and advances to employees	5.17	9.78	11.87
Total- Gross (A)	20,253.80	13,480.08	9,822.89
Less : Impairment loss allowance on loans	(482.60)	(322.02)	(172.33)
Total - Net (A)	**19,771.20**	**13,158.06**	**9,650.56**
B. Secured/ Unsecured			
(a) Secured by tangible assets	15,561.14	10,902.54	8,197.98
(b) Secured by intangible assets			
(c) Secured by other assets	1,236.04	451.33	227.11
(d) Covered by guarantees	-	-	-
(e) Unsecured	3,456.62	2,126.21	1,397.80
Total - Gross (B)	20,253.80	13,480.08	9,822.89
Less : Impairment loss allowance on loans	(482.60)	(322.02)	(172.33)
Total - Net (B)	**19,771.20**	**13,158.06**	**9,650.56**
C. Loans in India			
(a) Public sector	-	-	-
(b) others	20,253.80	13,480.08	9,822.89
Total - Gross (C)	**20,253.80**	**13,480.08**	**9,822.89**
Less : Impairment loss allowance on loans	(482.60)	(322.02)	(172.33)
Total - Net (C)	**19,771.20**	**13,158.06**	**9,650.56**

Loans includes Rs. 233.40 (March 31, 2018: Rs. 159.00, April 1, 2017: Rs. 60.00) receivable from private companies in which a director is a director or a member (also refer note 36).

Interest income on stage 3 assets is calculated by applying the EIR at the amortised cost considering expected realisation of the income. Accordingly, interest income on stage 3 assets is recognized on net basis. Impairment allowance on interest income of stage 3 assets not expected to be realized amounting to Rs. 22.44 (March 31, 2018 Rs. 13.54) is netted off from interest income.

Note 8: Investments

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
A) In India			
At fair value through profit and loss account			
Mutual funds (unquoted)			
458,032.44 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value Rs.1,000 each of Reliance Money Market Fund - Direct Plan - Growth	130.05	-	-
486,173.47 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value Rs.1,000 fully paid up of Kotak Money Market Scheme - Direct Plan - Growth	150.06	-	-
26,872,473.99 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value Rs. 10 each of DSP Saving fund - Direct Plan - Growth	100.05	-	-
359,902.41 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value Rs.1,000 each of SBI Magnum Ultra Short Duration Fund - Direct Plan - Growth	150.05	-	-
833,029.55 (March 31, 2018: 2,147,876.64, April 1, 2017: 2,451,431.15) units of face value Rs 100 each of Aditya Birla Sun Life Liquid Fund-Growth-Direct	25.03	46.25	49.19
1,810,757.71 (March 31, 2018: Nil, April 1, 2017: Nil) of face value Rs 100 units of ICICI Prudential Liquid Fund-Direct Plan-Growth	50.05	-	-
54,859.02 (March 31, 2018: Nil, April 1, 2017: Nil) units of face value Rs 1000 each of Reliance Liquid Fund-Direct Plan-Growth Plan-Growth Option	25.03	-	-
Commercial paper (unquoted)			
1,500 (March 31, 2018: Nil, April 1, 2017: Nil) units of Rs.500,000 fully paid up of Axis Finance Limited	73.76	-	-
Equity instruments (quoted)			
1,370 (March 31, 2018 : 1,370, April 1, 2017 : 1,370) shares of Rs. 2 each fully paid up in Hero MotoCorp Ltd	0.35	0.49	0.44
Equity instruments (unquoted)			
7,482,251 (March 31, 2018 : 7,482,251, April 1, 2017 : 7,482,251) shares of Rs. 10 each fully paid up in Forum I Aviation Ltd	6.98	6.98	6.98
Preference instruments(quoted)			
18,000,000 (March 31, 2018: Nil, April 1, 2017: Nil) preference shares of Rs. 5 each fully paid in 8% Kotak Mahindra Bank Limited	9.00	-	-
Alternative investment Fund (unquoted)			
824,430 (March 31, 2018: Nil, April 1, 2017: Nil) units of Rs.1,000 KKR India Debt Opportunity Fund II	91.57	-	-

Total- Gross	811.96	53.72	56.61
Less: Allowance for impairment	-	-	-
Total- Net	**811.98**	**53.72**	**56.61**
Aggregate amount of quoted investment	9.35	0.49	0.44
Aggregate amount of unquoted investments	802.63	53.23	56.17
Aggregate book value of quoted investments	9.35	0.49	0.44

Note 9: Other financial assets

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured, considered good unless otherwise stated			
Security deposits (at amortised cost)	3.98	2.34	1.52
Receivable from collection agency	46.80	38.86	2.43
Others	0.84	-	-
Total	**51.62**	**41.20**	**3.95**

Note 10: Current tax assets (net)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Advance income tax [net of provision for tax Rs 401.42 (March 31, 2018: Rs.275.92, April 1, 2017 Rs.178.96)]	16.39	10.12	9.50
Total	**16.39**	**10.12**	**9.50**

Note 11: Deferred tax assets (net)

A. Amounts recognised in Statement of profit and loss

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Current tax (a)		
Current year	198.05	125.44
Tax adjustment relating to earlier year	-	(3.25)
Deferred tax (b)		
Attributable to–		
Origination and reversal of temporary differences	(52.76)	(52.76)
Tax expense recognised in Statement of profit and loss	**145.29**	**69.43**

B. Income tax recognised in other comprehensive income

Particulars	For the year ended March 31, 2019			For the year ended March 31, 2018		
	Before tax	Deferred tax	Net of tax	Before tax	Deferred tax	Net of tax
Remeasurements of defined benefit liability	(2.09)	0.73	(1.36)	(0.74)	0.26	(0.48)

C. Reconciliation of effective tax expense

	For the year ended March 31, 2019	For the year ended March 31, 2018
Profit before tax	**391.04**	**212.36**
Other comprehensive income/ (loss) for the year	(2.09)	(0.74)
Tax using the domestic tax rate	137.94	73.49
Effect of:		
Unrecognized deferred tax assets	5.83	0.28
Non-deductible expenses and exempt income	0.95	0.97
Interest income recognised on stage 3 loans	-	(4.69)
Change in tax rate	-	(0.02)
Others	(0.16)	(0.86)
Effective tax expense	**144.56**	**69.17**

D. Recognised deferred tax assets and liabilities (Group)

Deferred tax assets and liabilities are attributable to the following in the books of the Holding Company

	Deferred tax assets			Deferred tax liabilities			Net deferred tax asset / (liabilities)		
	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Provisions for employee benefit	8.13	5.45	3.27	-	-	-	8.13	5.45	3.27
Depreciation*	-	-	-	0.28	1.00	2.12	(0.28)	(1.00)	(2.12)
Impairment allowance on loans	140.28	96.24	52.89	-	-	-	140.28	96.24	52.89
Effect of EIR on interest income	31.15	22.14	15.60	-	-	-	31.15	22.14	15.60
Other temporary differences	7.55	3.13	1.71	10.42	3.04	1.49	(2.87)	0.09	0.22
Net deferred tax (assets)/ liabilities	**187.11**	**126.96**	**73.47**	**10.70**	**4.04**	**3.61**	**176.41**	**122.92**	**69.86**
Deferred tax assets (net) recognized in the books of the Subsidiary Company							0.22	0.22	0.26
Total deferred tax assets (net) in the books of Group							**176.63**	**123.14**	**70.12**
Deferred tax assets (net) unrecognized in the books of the Subsidiary Company.							6.05	0.23	(0.06)

Considering future taxable income, the Subsidiary Company has recognized deferred tax assets (net of liabilities) only to the extent it is probable that future taxable income will be available against which unused tax credits / losses will be adjusted.

E Deferred tax aseets/(liabilites) of subsidiary company

	Deferred tax assets			Deferred tax liabilities			Net deferred tax asset / (liabilities)		
	As at 31 March 2019	**As at 31 March 2018**	**As at 1 April 2017**	**As at 31 March 2019**	**As at 31 March 2018**	**As at 1 April 2017**	**As at 31 March 2019**	**As at 31 March 2018**	**As at 1 April 2017**
Provision for employee benefits	0.40	0.15	-	-	-	-	0.40	0.15	-
Depreciation*	-	-	-	0.41	0.02	-	(0.41)	(0.02)	-
Impairment allowance on loans	0.32	-	-	-	-	-	0.32	-	-
Unamortized loan origination cost	-	-	-	0.12	-	-	(0.12)	-	-
Fair valuation of investment	-	-	-	0.03	0.98	0.17	(0.03)	(0.98)	(0.17)
Unamortized borrowing cost	-	-	-	0.31	-	-	(0.31)	-	-
Unabsorbed losses	6.25	1.07	0.11	-	-	-	6.25	1.07	0.11
Temporary difference u/s 35D of the Income Tax Act, 1961	0.16	0.21	0.26	-	-	-	0.16	0.21	0.26
Net deferred tax (assets)/ liabilities	**7.13**	**1.43**	**0.37**	**0.87**	**1.00**	**0.17**	**6.26**	**0.43**	**0.20**
Recognized deferred tax assets (net)							**0.22**	**0.22**	**0.26**
Unrecognized deferred tax assets (net)							**6.05**	**0.23**	**(0.06)**

F. Movement in deferred tax on temporary differences (recognised)

-In respect of Holding Company	Balance as at April 1, 2017	Recognised in profit or loss during 2017-18	Recognised in OCI during 2017-18	Balance as at March 31, 2018	Recognised in profit or loss during 2018-19	Recognised in OCI during 2018-19	Balance as at March 31, 2019
Provisions for employee benefit	3.27	1.92	0.26	5.45	1.95	0.73	8.13
Depreciation*	(2.12)	1.12	-	(1.00)	0.72	-	(0.28)
Impairment allowance on loans	52.89	43.35	-	96.24	44.04	-	140.28
Effect of EIR on interest income	15.60	6.54	-	22.14	9.01	-	31.15
Other temporary differences	0.22	(0.13)	-	0.09	(2.96)	-	(2.87)
Net deferred tax assets/ (liabilities) -A	**69.86**	**52.80**	**0.26**	**122.92**	**52.76**	**0.73**	**176.41**
-In respect of Subsidiary Company - B	0.26	(0.04)	-	0.22	-	-	0.22
Net deferred tax assets/ (liabilities) - (A+B)	**70.12**	**52.76**	**0.26**	**123.14**	**52.76**	**0.73**	**176.63**

Note 12: Property, plant and equipment

Particulars	Own use						Assets given on operating lease			
	Building	Plant and equipment	Furniture and fixtures	Vehicles	Data processing equipment	Office equipment	Plant and equipment	Computers	Vehicles	Total
Cost *										
At April 1, 2017	**3.58**	**0.97**	**0.41**	**13.68**	**8.83**	**0.84**	**8.35**	**0.09**	**60.91**	**97.66**
Additions during the year	-	-	0.22	5.98	17.18	0.47	-	-	7.10	30.95
Disposals during the year	-	-	-	1.34	0.39	-	0.08	0.02	11.00	12.83
At March 31, 2018	**3.58**	**0.97**	**0.63**	**18.32**	**25.62**	**1.31**	**8.27**	**0.07**	**57.01**	**115.78**
Additions during the year	-	-	1.14	5.37	10.02	1.88	-	-	-	18.41
Disposals during the year	-	0.14	0.18	1.94	0.09	0.07	8.27	-	9.08	19.77
At March 31, 2019	**3.58**	**0.83**	**1.59**	**21.75**	**35.55**	**3.12**	**-**	**0.07**	**47.93**	**114.42**
Depreciation										
At April 1, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposals during the year	-	-	-	0.09	0.14	-	0.04	-	1.29	1.56
Depreciation charge for the year	0.06	0.08	0.06	2.36	6.06	0.27	2.92	-	9.27	21.08
At March 31, 2018	**0.06**	**0.08**	**0.06**	**2.27**	**5.92**	**0.27**	**2.88**	**-**	**7.98**	**19.52**
Disposals during the year	-	0.02	0.04	0.65	0.04	0.05	4.61	-	2.08	7.49
Depreciation charge for the year	0.06	0.08	0.11	2.74	7.83	0.43	1.73	-	7.33	20.31
At March 31, 2019	**0.12**	**0.14**	**0.13**	**4.36**	**13.71**	**0.65**	**-**	**-**	**13.23**	**32.34**
Net carrying amount										
Balance as at April 1, 2017	**3.58**	**0.97**	**0.41**	**13.68**	**8.83**	**0.84**	**8.35**	**0.09**	**60.91**	**97.66**
Balance as at March 31, 2018	**3.52**	**0.89**	**0.57**	**16.05**	**19.70**	**1.04**	**5.39**	**0.07**	**49.03**	**96.26**
Balance as at March 31, 2019	**3.46**	**0.69**	**1.46**	**17.39**	**21.84**	**2.47**	**-**	**0.07**	**34.70**	**82.08**

*The Holding Company has elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, as deemed cost as at the date of transition (i.e. April 1, 2017). There was no carrying value of property, plant and equipment as at April 1, 2017 in the books of subsidiary, hence exemption was not applicable.

12.1. Other intangible assets and intangible assets under development

Particulars	Computer software	Intangible assets under development
Cost*		
Balance as at April 1, 2017	**7.44**	**-**
Additions during the year	12.49	-
Disposals during the year	-	-
Balance as at March 31, 2018	**19.93**	**-**
Additions during the year	11.77	0.16
Disposals during the year	-	-
Balance as at March 31, 2019	**31.70**	**0.16**
Accumulated amortisation/ impairment		
Balance as at April 1, 2017	-	-
Disposals during the year	-	-
Amortisation charge for the year	5.44	-
Balance as at March 31, 2018	**5.44**	**-**
Disposals	-	-
Amortisation charge for the year	4.57	-
Balance as at March 31, 2019	**10.01**	**-**
Net carrying amount		
Balance as at April 1, 2017	**7.44**	**-**
Balance as at March 31, 2018	**14.49**	**-**
Balance as at March 31, 2019	**21.69**	**0.16**

*The Holding Company has elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its intangible assets as recognised in the financial statements as at the date of transition to Ind AS, as deemed cost as at the date of transition (i.e. April 1, 2017). There was no carrying value of intangible assets as at April 1, 2017 in the books of subsidiary, hence exemption was not applicable.

Note 13: Other non-financial assets

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Unsecured, consider good unless otherwise stated			
Capital advances	6.02	5.37	0.33
Prepaid expenses	15.79	7.83	4.09
Balance with government authorities	0.37	0.05	0.77
Others	3.23	5.36	2.89
Total	**25.41**	**18.61**	**8.08**

Note 14: Trade payables

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Trade payables			
(i) Total outstanding dues of micro enterprises and small enterprises; and	0.02	0.08	0.05
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	119.58	72.76	54.87
Total	**119.60**	**72.84**	**54.92**

14.1 Disclosure under section 22 of Micro, Small and Medium Enterprises Development Act, 2006 is as follows:

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	0.02	0.08	0.05
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-	-
(iv) The amount of interest due and payable for the year	-	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-	-
(vi) The amount of further interest due and payable even in the succeeding year,until such date when the interest dues as above are actually paid	-	-	-
Total	**0.02**	**0.08**	**0.05**

14.2 Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

Note 15: Debt securities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Debt securities (at amortised cost) - in India			
Secured			
Redeemable non-convertible debentures (refer note 15.1, 15.2 and 15.3 below)	2,812.13	2,889.40	1,454.40
Unsecured			
Commercial papers (refer note 15.4 below)	4,040.82	2,782.69	1,548.43
Total	**6,852.95**	**5,672.09**	**3,002.83**

15.1 27,630 (March 31, 2018: 28,894, April 1, 2017: 14,544) privately placed secured redeemable fully paid non-convertible debentures of Rs. 1,000,000 each aggregating Rs. 2,763.00 (March 31, 2018: Rs.2,889.40, April 1, 2017: Rs.1,454.40) carrying interest rate ranging from 7.60% p.a. to 9.60% p.a. (March 31, 2018: 7.60% p.a. to 8.98% p.a., April 1, 2017: 7.73% p.a. to 8.98% p.a.). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.2 2,500 (March 31, 2018: Nil, April 1, 2017: Nil) privately placed secured redeemable partly paid non-convertible debentures of Rs.1,000,000 each paid up to the extent of Rs. 200,000 aggregating Rs. 50.00 (March 31, 2018: Rs Nil, April 1, 2017: Nil) carrying interest rate of 9.55% p.a. (March 31, 2018: Nil, April 1, 2017: Nil.). The debentures are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

15.3 Terms of privately placed secured redeemable non convertible debentures

Tenor from the date of Balance Sheet	Periodicity	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
> 60 months	Bullet payment	50.00	-	-
>48 < = 60 months	Bullet payment	-	85.00	12.00
>36 < = 48 months	Bullet payment	107.00	207.00	50.00
>24 < = 36 months	Bullet payment	232.00	1,185.00	434.00
>24 < = 36 months	Annual	30.00	-	-
>12 < = 24 months	Bullet payment	1,690.00	634.00	778.40
>12 < = 24 months	Annual	35.00	-	-
Up to 12 months	Bullet payment	634.00	778.40	180.00
Up to 12 months	Annual	35.00	-	-
Less: Adjustments towards EIR		(0.87)	-	-
Total		**2,812.13**	**2,889.40**	**1,454.40**

15.4 Commercial papers are repayable within 12 months and issued at a discount rate ranging from 7.60% p.a. to 9.32% p.a. (March 31, 2018 : 6.95% p.a. to 8% p.a., April 1, 2017 : 6.79% p.a. to 8.5% p.a.)

15.5 No non-convertible debentures and commercial papers is guaranteed by directors and / or others.

15.6 During the period presented there were no defaults in the repayment of principal and interest.

Note 16: Borrowings (other than debt securities)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
At amortised cost			
Term loan from banks (Secured) (refer note 16.1)	7,655.87	3,701.68	3,303.34
External commercial borrowing (Secured) (refer note 16.3)	200.00	-	-
Loan repayable on demand from banks (refer note 16.2)			
- Cash credit (Secured)	1,073.82	835.92	1,158.94

- Working capital demand loans (Secured)	390.00	210.00	-
- Cash credit (Unsecured)	-	1.05	5.67
- Working capital demand loans (Unsecured)	25.00	65.00	-
Total	**9,344.69**	**4,813.65**	**4,467.95**
Borrowing in India	9,144.69	4,813.65	4,467.95
Borrowing Outside India	200.00	-	-
Total	**9,344.69**	**4,813.65**	**4,467.95**

16.1 Secured term loans from banks aggregating Rs 7,655.87 (March 31, 2018: Rs 3,701.68, April 1, 2017: Rs 3,303.34) carrying interest rate ranging from 8.30% p.a. to 10% p.a (March 31, 2018 7.55% p.a to 8.65% p.a. April 1, 2017 7.85% p.a. to 9.65% p.a.) are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
> 60 months	Semi annually	40.00	-	-
>48 < = 60 months	Annual	122.50	-	-
>48 < = 60 months	Semi annually	686.25	425.00	437.50
>48 < = 60 months	Quarterly	80.00	-	-
>36 < = 48 months	Annual	122.50	-	50.00
>36 < = 48 months	Semi annually	1,251.25	987.50	970.00
>36 < = 48 months	Quarterly	267.50	-	-
>24 < = 36 months	Bullet	400.00	300.00	250.00
>24 < = 36 months	Annual	10.00	50.00	50.00
>24 < = 36 months	Semi annually	1,363.75	870.00	707.50
>24 < = 36 months	Quarterly	475.83	-	-
>12 < = 24 months	Bullet	300.00	250.00	100.00
>12 < = 24 months	Annual	60.00	50.00	-
>12 < = 24 months	Semi annually	991.25	457.50	286.68
>12 < = 24 months	Quarterly	459.17	-	50.00
Up to 12 months	Bullet	250.00	-	-
Up to 12 months	Annual	60.00	-	200.00
Up to 12 months	Semi annually	457.50	261.68	101.66
Up to 12 months	Quarterly	259.17	50.00	100.00
Less: Adjustments towards EIR		(0.80)	-	-
Total		**7,655.87**	**3,701.68**	**3,303.34**

16.2 The cash credit facilities are repayable on demand and carry interest rates ranging from 8.30% p.a. to 11.05% p.a (March 31, 2018: 7.35% p.a. to 8.80% p.a, April 1, 2017: 7.70% p.a. to 9.25% p.a). Working capital demand loans are repayable on demand and carrying interest rates ranging from 8.25% p.a. to 8.80% p.a. (March 31, 2018: 7.26% p.a to 8.00%, April 1, 2017: Nil). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. The secured facilities are secured by first pari-passu charge by way of hypothecation of book debts and receivables.

16.3 External commercial borrowings carry interest rate 8.71% p.a. are secured by a first pari-passu charge by way of hypothecation of book debts and receivables.

Tenor from the date of balance sheet	Periodicity	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
>24 < = 36 months	Bullet	200.00	-	-

16.4 No term loans, cash credit, working capital demand from banks and any other borrowing is guaranteed by directors and / or others.

16.5 During the period presented there were no defaults in the repayment of principal and interest.

Note 17: Subordinated liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
At amortised cost			
Subordinated liabilities (unsecured) in India			
Redeemable non-convertible debentures-Tier II (refer note 17.1 and 17.2 below)	448.78	300.00	200.00
Total	**448.78**	**300.00**	**200.00**

17.1 Terms of privately placed unsecured redeemable non-convertible debentures-Tier II.

Tenor from the date of balance sheet	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
>60 months*	450.00	300.00	200.00
Less: Adjustments towards EIR	(1.22)	-	-
Total	**448.78**	**300.00**	**200.00**

Term of repayment is bullet.

17.2 4,500 (March 31, 2018: 3,000, April 1, 2017: 2,000) privately placed unsecured redeemable non-convertible debentures Tier II of Rs. 1,000,000 each aggregating Rs. 450 (March 31, 2018 : Rs 300 , April 1, 2017 Rs. 200) carrying interest ranging from 8.52% p.a. to 9.81% p.a. (March 31, 2018 : 8.52% p.a. to 9.35% p.a., April 1, 2017: 8.98% p.a. to 9.35% p.a.) and are subordinated in nature of claim.

17.3 No subordinate debts is guaranteed by directors and /or others.

17.4 During the period presented there were no defaults in the repayment of principal and interest.

Note 18: Other financial liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Interest accrued but not due			
- Debt securities	216.61	165.28	83.00
- Borrowings	14.13	10.01	8.91
- Subordinated liabilities	21.69	17.68	11.03

Unclaimed dividend (refer note 18.1 below)	0.55	0.48	0.55
Book overdrafts	155.34	106.32	69.74
Other payables			
Payable on purchase of Property, plant and equipment and other intangible assets	2.41	-	0.09
Salaries and wages payable	39.01	15.89	10.87
Security deposits	0.42	0.53	0.59
Loans pending disbursement	63.08	22.72	38.38
Margin money from customers	24.12	13.27	6.53
Others	32.06	7.33	0.46
Total	**569.42**	**359.51**	**230.15**

18.1 Unclaimed dividend does not include any amount outstanding as on March 31, 2019, March 31, 2018 and April 1, 2017 which are required to be credited to the Investor Education and Protection Fund.

Note 19: Current tax liabilities (net)

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Provision for income tax [net of advance tax Rs 164.46 (March 31, 2018: Rs.110.63, April 1, 2017 Rs.78.20)]	33.53	14.87	21.97
Total	**33.53**	**14.87**	**21.97**

Note 20: Provisions

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Provision for employee benefits			
-Provision for gratuity (refer note 32.2)	12.39	7.74	5.29
-Provision for compensated absences (refer note 32.3)	11.66	7.16	3.72
Total	**24.05**	**14.90**	**9.01**

Note 21: Other non-financial liabilities

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Lease equalisation reserve	-	0.96	0.91
Unamortised interest on margin money deposits	12.72	7.46	3.76
Statutory dues payable	20.32	17.81	7.33
Advance received from customers	0.81	-	-
Total	**33.85**	**26.23**	**12.00**

Note 22: Equity share capital

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorised						
Equity shares of Rs.10 each	150,000,000	150.00	150,000,000	150.00	150,000,000	150.00
	150,000,000	**150.00**	**150,000,000**	**150.00**	**150,000,000**	**150.00**
Issued						
Equity shares of Rs.10 each	114,196,921	114.20	98,445,621	98.45	92,679,716	92.68
	114,196,921	**114.20**	**98,445,621**	**98.45**	**92,679,716**	**92.68**
Subscribed						
Equity shares of Rs.10 each (fully paid up)	114,098,182	114.10	98,445,621	98.45	92,679,716	92.68
Equity shares of Rs.10 each (partly paid up: Rs 5 each)	98,739	0.05	-	-	-	-
Total	**114,196,921**	**114.15**	**98,445,621**	**98.45**	**92,679,716**	**92.68**

22.1 Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting period

Particulars	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Number of Shares	Amount	Number of Shares	Amount
Equity shares of Rs. 10 each				
Opening balance	98,445,621	98.45	92,679,716	92.68
Issued during the year Rs.10 each (fully paid up)	15,652,561	15.65	5,765,905	5.77
Issued during the year Rs.10 each (partly paid up: Rs 5 each)	98,739	0.05	-	-
Outstanding at the end of the year	**114,196,921**	**114.15**	**98,445,621**	**98.45**

22.2 During the year, the Holding Company has made a rights issue of 15,751,300 equity share of Rs. 10 each at a premium of Rs.740 per share in the ratio of four equity shares for every twenty five equity shares held on the record date. The Holding Company has received final call money for all equity shares except for 98,739 equity shares against which Rs. 375 per share is outstanding.

During the previous year 5,765,905 equity shares of Rs. 10 each were issued and allotted as fully paid up at an exercise price of Rs. 520.30 (including premium of Rs. 510.30) per equity share on conversion of 5,765,905 share warrants to specific promoters on preferential basis.

22.3 Terms/ rights, preference and restriction attached to equity shares of Rs 10 each

(i) The Holding Company has only one class of equity share having face value of Rs.10 per share. Each holder of equity share is entitled to one vote per share held.

(ii) The dividend proposed by the Board of Directors which is subject to approval of shareholders in the Annual General Meeting shall be in the same proportion as the capital paid upon such equity share.

(iii) In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Holding Company after distribution of all preferential amount, in proportion to capital paid upon such equity share.

22.4 Detail of shareholder holding more than 5% shares in the Holding Company:

Name of Shareholder	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Number of Shares held	% of Holding	Number of Shares held	% of Holding	Number of Shares held	% of Holding
Equity shares						
Hero MotoCorp Ltd.	47,032,574	41.18	40,388,576	41.03	38,343,025	41.37
Bahadur Chand Investment Pvt. Ltd.	23,213,837	20.33	17,761,914	18.04	17,761,914	19.16
Otter Limited	12,057,765	10.56	10,790,890	10.96	10,790,890	11.64
Mr. Pawan Munjal (refer note 22.5 below)	3,608,812	3.16	3,608,812	3.67	3,009,350	3.25
Ms. Renu Munjal (refer note 22.5 below)	4,094,737	3.59	4,094,737	4.16	3,495,275	3.77
Ms. Santosh Munjal (refer note 22.5 below)	323,600	0.28	323,600	0.33	323,600	0.35
Mr. Suman Kant Munjal (refer note 22.5 below)	4,094,737	3.59	4,094,737	4.16	3,495,275	3.77
Total Brijmohan Lall Om Parkash (Partnership firm)	**12,121,886**	**10.62**	**12,121,886**	**12.32**	**10,323,500**	**11.14**

22.5 Holding shares on behalf of Brijmohan Lall Om Prakash (partnership firm)

22.6 There are no shares issued by way of bonus shares or issued for consideration other than cash and no shares were bought back during the period of 5 years immediately preceding the reporting date.

22.7 Employee stock options

Terms attached to stock options granted to employees are described in note-42 regarding share-based payments.

Note 23: Other equity

	As at March 31, 2019	As at March 31, 2018
Securities premium		
Opening balance as at reporting date	**1,723.36**	**1,429.43**
Add: Additons during the year	1,161.92	294.23
Less: Share issue expenses	(1.56)	(0.30)
Closing balance as at reporting date	**2,883.72**	**1,723.36**
Statutory reserve		
Opening balance as at reporting date	**135.52**	**103.02**
Add: Transferred from retained earninge	53.68	32.50
Closing balance as at reporting date	**189.20**	**135.52**
Stock options outstanding account		
Opening balance as at reporting date	**6.95**	**-**
Add: Charge during the year	8.85	6.95
Closing balance as at reporting date	**15.80**	**6.95**
General reserve		
Opening balance as at reporting date	**66.10**	**49.85**
Add: Transfer from retained earning	26.84	16.25
Closing balance as at reporting date	**92.94**	**66.10**
Money received against share warrant		
Opening balance as at reporting date	**-**	**102.60**
Less: Conversion to equity share capital	-	(102.60)
Closing balance as at reporting date	**-**	**-**
Other comprehensive income/ (loss)		
Opening balance as at reporting date	**-**	**-**
Add: Other comprehensive income/ (loss) for the year	(1.36)	(0.48)
Less: Transferred to retained earnings	1.36	0.48
Closing balance as at reporting date	**-**	**-**
Retained earnings		
Opening balance as at reporting date	**218.07**	**141.10**
Add: Profit for the year	245.75	142.93
Less: Other comprehensive income/ (loss) for the year	(1.36)	(0.48)
Less: Dividend paid on equity shares	(29.77)	(13.90)
Less: Dividend distribution tax	(6.12)	(2.83)
Less: Transfers to general reserves	(26.84)	(16.25)
Less: Transfers to statutory reserve	(53.68)	(32.50)
Closing balance as at reporting date	**346.05**	**218.07**
Total	**3,527.71**	**2,150.00**

Nature of reserve :

Statutory reserve :

Statutory reserve is used to record reserve in accordance with section 45-IC of the Reserve Bank of India Act, 1934. The statutory reserves can be utilised for the purpose as specified by the RBI from time to time.

Securities premium :

Securities premium reserve is used to record the premium on issuance of shares. The reserve can be utilised as per the provision of the Act.

General Reserve:

Free reserve to be utilized as per provision of the Act.

Retained Earnings:

Retained earnings is used to record profit for the year. This amount is utilised as per the provision of the Act.

Stock Options Outstanding account:

Stock option outstanding account is used to record the impact of employee stock option scheme. Refer note 42 for further detail of this plan.

Note 24: Revenue from operations

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest on:		
- Loans (at amortised cost)	2,245.90	1,533.88
- Fixed deposit and alternative investment fund	1.61	-
Dividend income	0.50	0.01
Profit on sale of investments	47.28	3.64
Rental income	17.48	22.85
Net gain/ (loss) on financial instruments at fair value through profit and loss	2.63	3.19
Insurance commission	0.48	-
Others	202.59	130.94
Total	**2,518.47**	**1,694.51**

Note 25: Finance costs

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Interest expense on financial liabilities measured at amortised cost		
- Interest on debt securities	544.80	366.55
- Interest on borrowing	548.96	292.13
- Interest on subordinated liabilites	30.95	24.98
Total	**1,124.71**	**683.66**

Note 26: Impairment allowance on loans

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Impairment allowance on loans	138.13	136.15
Total	**138.13**	**136.15**

Note 27: Employee benefits expenses

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Salaries and wages	207.23	127.94
Contribution to provident and other funds (refer note 32.1)	9.60	6.85
Employee share based payment expense (refer note 42)	10.21	6.95
Gratuity expense (refer note 32.2)	2.83	1.92
Staff welfare expenses	7.48	3.95
Total	**237.35**	**147.61**

Note 28: Other expenses

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Rent	15.09	9.92
Rates and taxes	1.40	2.05
Insurance	5.70	4.48
Repairs and maintenance		
-Building	3.67	1.32
-Vehicle	0.33	0.57
Contractual staff cost	75.72	63.25
Recruitment and training	9.41	6.96
Loan processing fee	7.59	5.44
Communication	10.02	7.47
Printing and stationery	6.72	4.75
Bank charges	24.45	16.73
Travelling and conveyance	23.95	18.87
Loss on sale of property, plant and equipment (net)	3.14	3.59
Advertisement and marketing	4.88	3.04
Information technology	53.98	29.49
Loan collection charges	280.72	196.15

Legal and professional (refer note 28.1)	17.21	16.96
Membership subscription	0.10	0.02
Settlement loss and bad debts written off	36.17	82.99
Expenditure towards corporate social responsibility (CSR) (refer note 28.2)	5.05	2.53
Miscellaneous	17.06	11.63
Total	**602.36**	**488.21**

28.1: Auditor's remuneration

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Audit fee	0.51	0.33
Limited review	0.12	0.10
Tax audit fee	0.07	0.03
Certification fees	0.09	0.04
Others	0.03	0.05
Out of pocket expenses	0.02	0.01
Total	**0.84**	**0.56**

28.2: Details of CSR expenditure

a) Gross amount required to be spent by the Group		**3.79**
b) Amount spent during the year ending March 31, 2019 :	**In Cash**	**Yet to be paid**
i) Construction/acquisition of any assets	-	-
ii) On purpose other than (i) above	5.05	
a) Gross amount required to be spent by the Group		**2.50**
b) Amount spent during the year ending March 31, 2018 :	**In Cash**	**Yet to be paid**
i) Construction/acquisition of any assets	2.53	-
ii) On purpose other than (i) above	-	-

Note 29: Earning per share

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to equity holders of the Holding Company by the weighted average number of equity shares outstanding during the year. The following table shows the income and share data used in the basic and diluted EPS calculations:

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Net profit for the year **(A)**	245.75	142.93
Calculation of weighted average number of equity shares		
Number of equity shares outstanding at the beginning of the year	98,445,621	92,679,716

Number of equity shares issued during the year	15,751,300	5,765,905
Number of equity shares outstanding at the end of the year	114,196,921	98,445,621
Nominal value of equity share	10.00	10.00
Weighted average number of equity shares outstanding during the year **(B)**	103,342,816	93,280,002
Basic earnings per share of face value of Rs. 10 each **(A)/(B)**	23.78	15.32
Weighted average number of equity shares (diluted)		
Weighted average number of equity shares outstanding during the year	103,342,816	93,280,002
Add: Number of potential equity share in respect of employee stock option scheme	212,740	151,240
Weighted average number of potential dilutive equity shares	103,555,556	93,431,242
Weighted average number of potential dilutive equity shares (C)	103,555,556	93,431,242
Dilutive earnings per share of face value of Rs. 10 each **(A)/(B+C)**	23.73	15.30

Note 30: Operating segments

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. The Group is engaged in the business of financing, leasing and related financial services. The Group's activities/business is reviewed from an overall business perspective, rather than reviewing its product/services as individual standalone components. Thus, the Group has only one operating segment, and no reportable segments in accordance with Ind AS 108 Operating Segments.

a) Entity wide disclosures

Information about products and services:

The Group provides a wide portfolio of other financial products including two-wheeler loans, pre-owned car loans, loyalty personal loan, inventory funding, loan against property, housing loan, loans to SMEs and emerging corporates etc.

b) Revenue from external customers

The entire income of the Group is generated from customers who are domiciled in India.

c) Revenue from external customer

The Group does not derives revenues, from any single customer, amounting to 10 per cent or more of Group's revenues.

Note 31: Investment in subsidiary

The consolidated financial statements include the financial statements of Holding Company and its subsidiary. Group does not have any joint ventures or associates.

	Net assets, i.e. total asset minus total liability					
	As at March 31 2019		As at 31 March 2018		As at March 31 2017	
	Amount	As % of consolidated net assets	Amount	As % of consolidated net assets	Amount	As % of consolidated net assets
Parent						
Hero FinCorp Limited	3,666.51	100.68%	2,251.87	100.15%	1,919.21	100.03%
Subsidiary						
Hero Housing Finance Limited	225.35	6.18%	46.58	2.07%	49.47	2.58%
Elimination	(250.00)	(6.86%)	(50.00)	(2.22%)	(50.00)	(2.61%)
Total	**3,641.86**	**100.00%**	**2,248.45**	**100.00%**	**1,918.68**	**100.00%**

	Share in profit and loss			
	As at March 31 2019		As at March 31 2018	
	Amount	As % of consolidated profit & loss	Amount	As % of consolidated profit & loss
Parent				
Hero FinCorp Limited	268.37	109.20%	145.83	102.02%
Subsidiary				
Hero Housing Finance Limited	(22.62)	(9.20%)	(2.90)	(2.02%)
Total	**245.75**	**100.00%**	**142.93**	**100.00%**

	Share in other comprehensive income			
	As at March 31 2019		As at March 31 2018	
	Amount	As % of consolidated other comprehensive income	Amount	As % of consolidated other comprehensive income
Parent				
Hero FinCorp Limited	(1.35)	99.28%	(0.48)	100.00%
Subsidiary				
Hero Housing Finance Limited	(0.01)	(0.72%)	-	-
Total	**(1.36)**	**100.0%**	**(0.48)**	**100.00%**

Note 32: Retirement benefit plan

32.1 Defined contribution plan

The Group makes periodic contribution towards provident fund, superannuation fund and national pension scheme which are defined contribution plans. The Group has no obligations other than to make the specified contributions. The contributions are charged to the consolidated statement of profit and loss as they accrue. The amount recognized as expense towards such contributions are as follows:

	Year ended March 31, 2019	Year ended March 31, 2018
Employer's contribution to provident fund	8.79	6.17
Employer's contribution to superannuation fund	0.56	0.47
Employer's contribution to national pension scheme	0.25	0.21

32.2 Defined benefit plan

The Group operates an unfunded gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death, whichever is earlier. The benefit vests after five year of continuous service. The benefit to employees is as per the plan rules or as per the Payment of Gratuity Act, 1972, whichever is earlier.

i) Reconciliation of the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

Particulars	As at March 31, 2019	As at March 31, 2018
Balance at the beginning of the year	7.74	5.29
Included in statement of profit and loss account :		
Current service cost	2.23	1.52
Interest expense	0.60	0.40
Benefits paid	(0.27)	(0.21)
	10.30	**7.00**
Remeasurement gains/(losses) in other comprehensive income (OCI)		
Actuarial loss/(gain) arising from :		
- demographic assumptions	(0.80)	-
- financial assumptions	2.74	(0.15)
- experience adjustment	0.15	0.89
	2.09	**0.74**
Other		
Contributions paid by the employer	-	-
Balance at the end of the year	**12.39**	**7.74**
Current liability	**5.79**	**4.32**
Non-current liability	**6.60**	**3.42**
	12.39	**7.74**

Since the liability is not funded, therefore information with regards to the plan assets has not been furnished.

ii) Expense recognised in statement of profit and loss:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Current service cost	2.23	1.52
Net interest expense/ (income)	0.60	0.40
Total	**2.83**	**1.92**

iii) Expense recognised in other comprehensive income / (loss):

Particulars	As at March 31, 2019	As at March 31, 2018
Remeasurement gains/(losses)		
Actuarial loss (gain)/arising from :		
- demographic assumptions	(0.80)	-
- financial assumptions	2.74	(0.15)
- experience adjustment	0.15	0.89
Total	**2.09**	**0.74**

iv) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) of Holding Company:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Discount rate	7.35%	7.80%	7.54%
Withdrawal rate			
Up to 30 years	20.00%	3.00%	3.00%
31 - 44 years	15.00%	2.00%	2.00%
Above 44 years	5.00%	1.00%	1.00%
Mortality (% of IALM 06-08)	100%	100%	100%
Retirement age (years)	58	58	58
Future salary growth*	7-12%	5.50%	5.50%

*The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market etc.

Principal actuarial assumptions at the reporting date (expressed as weighted averages) of Subsidiary Company:

	As at March 31, 2019	As at March 31, 2018	As at 1 April 2017
Discount rate	7.50%	7.80%	-
Future salary growth*	10.00%	12.00%	-
Withdrawal rate			
Upto 30 years	10.00%	3.00%	-
31 to 44 years	9.00%	2.00%	-
Above 44 years	8.00%	1.00%	-
Mortality rate (% of IALM 06-08)	100%	100%	-
Retirement age (years)	58	58	-

*The estimate of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and relevant factors such as supply and demand in the employment market etc.

v) Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (- / + 1%)	11.79	13.07	7.23	8.36	5.14	5.46
Salary growth rate (- / + 1%)	13.05	11.79	8.37	7.22	5.46	5.14
Attrition rate (- / + 50%)	11.89	12.92	7.78	7.70	-	-
Mortality rate (- / + 10%)	12.39	12.39	7.75	7.74	-	-

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

vi) Expected contribution during the next annual reporting period

Since the scheme is managed on unfunded basis, the next year contribution is taken as Nil (March 31, 2018 : Nil)

vii) Expected maturity analysis of the defined benefit plans in future years (valued on undiscounted basis)

Duration (years)	As at March 31, 2019	As at March 31, 2018
within the next 12 months	5.79	4.32
Between 2 to 5 years	3.00	0.49
Above 5 years	11.38	12.90

As at March 31, 2019, the weighted-average duration of the defined benefit obligation was 5 years (March 31, 2018: 7 years) for the Holding Company, 12 Years (March 31, 2018 : Nil) for the Subsidiary Company.

32.3 Other long term employee benefit plan

Other long term employee benefit plans comprises compensated absences. The Group operates compensated absences plan (earned leaves), where in every employee is entitled to the benefit equivalent to certain leaves for every completed year of service subject to maximum as prescribed in the policies. The same is payable during early retirement, withdrawal of scheme, resignation by employee and upon death of employee. The Holding Company also recognises sick leave provision, where in every employee is entitled to the benefit equivalent to 6 days salary for every completed year of service which is subject to maximum of 20 days accumulation of leaves. The salary for calculation of earned leave and sick leaves are last drawn basic salary. The amount of the provision is Rs. 11.66 (March 31, 2018: Rs. 7.16, April 1, 2017 : Rs. 3.72) as per the acturial report.

Note 33: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. Loans is net of impairment loss allowance on loans considering realisability, the amount recoverable from Stage 3 assets is classified under after 12 months.

Assets	As at March 31, 2019			As at March 31, 2018			As at April 1, 2017		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial assets									
Cash and cash equivalents	106.68	-	106.68	0.69	-	0.69	2.76	-	2.76
Bank balance other than cash and cash equivalents	0.55	-	0.55	0.48	-	0.48	0.55	-	0.55
Trade receivables	4.34	-	4.34	5.78	-	5.78	10.28	-	10.28
Loans	9,853.78	9,917.42	19,771.20	6,353.43	6,804.63	13,158.06	4,506.23	5,144.33	9,650.56
Investments	704.08	107.90	811.98	46.25	7.47	53.72	49.19	7.42	56.61
Other financial assets	49.16	2.46	51.62	39.94	1.26	41.20	3.30	0.65	3.95
Non financial assets									
Current tax assets (net)	-	16.39	16.39	-	10.12	10.12	-	9.50	9.50
Deferred tax assets (net)	-	176.63	176.63	-	123.13	123.13	-	70.12	70.12
Property, plant and equipment	-	82.08	82.08	-	96.26	96.26	-	97.66	97.66
Other intangible assets	-	21.69	21.69	-	14.49	14.49	-	7.44	7.44
Intangible assets under development	-	0.16	0.16	-	-	-	-	-	-
Other non-financial assets	15.47	9.94	25.41	12.13	6.48	18.61	6.89	1.19	8.08
Total assets	**10,734.06**	**10,334.67**	**21,068.73**	**6,458.70**	**7,063.84**	**13,522.54**	**4,579.20**	**5,338.31**	**9,917.51**

Liabilities	As at March 31, 2019			As at March 31, 2018			As at April 1, 2017		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Financial liabilities									
Trade Payables									
(i) Total outstanding dues of micro enterprise and small enterprise	0.02	-	0.02	0.08	-	0.08	0.05	-	0.05
(ii) Total outstanding dues of creditors other than micro enterprise and small enterprise	119.58	-	119.58	72.76	-	72.76	54.87	-	54.87
Debt securities	4,709.81	2,143.14	6,852.95	3,561.09	2,111.00	5,672.09	1,728.43	1,274.40	3,002.83
Borrowing (other than debt securities)	2,516.29	6,828.40	9,344.69	1,423.65	3,390.00	4,813.65	1,566.27	2,901.68	4,467.95
Subordinated liabilities	-	448.78	448.78	-	300.00	300.00	-	200.00	200.00
Other financial liabilities	502.16	67.26	569.42	337.76	21.75	359.51	208.29	21.86	230.15
Non financial liabilities									
Current tax liabilities (net)	33.53	-	33.53	14.87	-	14.87	21.97	-	21.97
Provisions	10.09	13.96	24.05	7.08	7.82	14.90	3.17	5.84	9.01
Other non - financial liabilities	24.32	9.53	33.85	19.18	7.05	26.23	8.21	3.79	12.00
Total liabilities	**7,915.80**	**9,511.07**	**17,426.87**	**5,436.47**	**5,837.62**	**11,274.09**	**3,591.26**	**4,407.57**	**7,998.83**
Net	**2,818.26**	**823.60**	**3,641.86**	**1,022.23**	**1,226.22**	**2,248.45**	**987.94**	**930.74**	**1,918.68**

Note 34: Change in liabilities arising from financing activities

Particulars	As at April 1, 2018	Cash flows	Others*	As at March 31, 2019
Debt securities	5,672.09	874.64	306.22	6,852.95
Borrowings other than debt securities	4,813.65	4,531.04	-	9,344.69
Subordinated liabilities	300.00	148.78	-	448.78
Total liabilities from financing activities	**10,785.74**	**5,554.46**	**306.22**	**16,646.42**

Particulars	As at April 1, 2017	Cash flows	Others*	As at March 31, 2018
Debt securities	3,002.83	2,524.36	144.90	5,672.09
Borrowings other than debt securities	4,467.95	345.70	-	4,813.65
Subordinated liabilities	200.00	100.00	-	300.00
Total liabilities from financing activities	**7,670.78**	**2,970.06**	**144.90**	**10,785.74**

*Represent discount on commercial paper amortised during the year.

Note 35: Contingent liabilities, commitments and leasing arrangements

Particulars	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
35.1 Capital commitment			
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid amounting to Rs. 6.02 (previous year Rs. 5.37)	6.75	3.87	0.84
(ii) Undrawn committed credit lines	113.72	-	-
Total	**120.47**	**3.87**	**0.84**

35.2 Contingent liability

(i) The Holding Company's pending tax litigations comprises claims against the Holding Company pertaining to proceedings pending with income tax authorities and Sales tax/ VAT authorities amounting to Rs.11.22 (March 31, 2018: Rs.10.99, April 1, 2017: Rs. 5.73). The Holding Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The Holding Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

(ii) The Hon'ble Supreme Court of India, vide their ruling dated 28 February 2019, set out the principles based on which certain allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed by a third party and is pending before the SC for disposal. In view of the management, pending decision on the subject review petition and directions from the EPFO, the management has a view that the applicability of the decisions is prospective. Further, the impact for the past period, if any, is not practically ascertainable in view of various interpretation issues. However, in case of the Subsidiary Company, in view of the fact that the Company has recently commenced its operations, the impact of this, if any, is expected to be insignificant.

35.3 The Group has made provisions as required under the applicable laws or accounting standards for material foreseeable losses, if any, long term contracts.

35.4 Operating lease commitments- Group as lessee

The Group has entered into operating lease agreement for leased premises and are non cancellable in nature. The aggregate lease rentals amounting to Rs. 15.09 (March 31, 2018 Rs. 9.92) have been charged to statement of profit and loss.

Future minimum rentals payable under non-cancellable operating leases are as follows:

Particulars	As at March 31 2019	As at March 31 2018
With in one year	0.43	-
After one year but not more than five years	0.54	-
More than five years	-	-
Total	**0.97**	**-**

Note 36: Related party transactions

List of Related parties:

(a) Parties in respect of which the Holding Company is an associate

Hero MotoCorp Limited

Bahadur Chand Investment Pvt. Ltd. (Effective August 23, 2018)

(b) Key managerial personnel (KMP):

Mr. Pawan Munjal – Chairman

Ms. Renu Munjal – Managing Director

Mr. Abhimanyu Munjal - Joint Managing Director & Chief Executive Officer

Mr. D.N Davar - Non-Executive Director

Mr. Pradeep Dinodia - Non-Executive Director

Mr. Sanjay Kukreja - Non-Executive Director

Mr. Rahul Munjal – relative of Renu Munjal

Mr. Amit Jain – Company Secretary (Upto October 11, 2017)

Mr. Vikas Gupta – Company Secretary (Effective March 22, 2018 upto September 21, 2018)

Mr. Shivendra Suman – Company Secretary (Effective September 21, 2018)

Mr. Shyam Lal – Chief Financial Officer (Upto January 29, 2018)

Mr. Jayesh Jain – Chief Financial Officer (Effective January 29, 2018)

(c) Enterprises over which key management personnel and their relatives are able to exercise significant influence:-

Hero Future Energies Limited (Merged with Clean Solar Power (Hiriyur) Private Limited) (effective March 30, 2018)

Hero Investcorp Private Limited

Hero Solar Energy Private Limited

Brijmohan Lall Om Parkash (Partnership Firm)

Munjal Acme Packaging Systems Private Limited

Cosmic Kitchen Private Limited

A.G. Industries Private Limited

Clean Solar Power Hiriyur Private Limited

Raman Munjal Vidya Mandir (RKMF)

Transactions with related parties during the year :

(a) Transaction with parties in respect of which the Holding Company is an Associate	For the year ended	For the year ended
Hero MotoCorp Limited	**March 31, 2019**	**March 31, 2018**
Dividend received	0.01	0.01
Dividend paid	12.24	5.75
Lease rental received	17.39	22.70
Repair and maintenance expense	0.04	-
Reimbursement of Insurance expense	0.56	-
Proceeds against share warrants	-	70.03
Proceeds against share issued (including share premium)	498.30	-
Rent paid	0.07	0.05
Subvention income	1.74	0.13
Sale of Property, plant and equipment	7.93	6.78
Bahadur Chand Investment Pvt. Ltd.		
Dividend paid	5.74	-
Proceeds against share issued (including share premium)	408.89	-

(b) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	As at March 31, 2019	As at March 31, 2018
Hero Future Energies Private Limited (Merged with Clean Solar Power (Hiriyur) Private Limited) (Effective March 30, 2018)		
Loan given	175.00	50.00
Loan repaid	50.00	50.00
Interest received/accrued	3.61	5.21
Processing fees received	0.26	0.25
A.G. Industries Private Limited		
Interest income	0.81	0.88
Loan repaid	1.00	1.00
Cosmic Kitchen Private Limited		
Staff welfare expense	1.12	1.09
Interest income	0.01	0.10
Loan repaid	0.24	1.83
Hero Solar Energy Private Limited		
Loan given	50.00	100.00
Loan repaid	100.00	-

Interest received/accrued	8.69	2.18
Processing fees received	0.10	0.50
Clean Solar Power Hiriyur Private Limited		
Loan given	50.00	-
Loan repaid	50.00	-
Processing fees received	0.16	-
Interest received/accrued	2.55	-
BrijMohan Lall Om Prakash (Partnership firm)		
Loan given	-	30.00
Loan repaid	-	30.00
Interest received/accrued	-	0.37
Proceeds against share issued (including share premium)	-	61.57
Hero Investcorp Private Limited		
Proceeds against share issued (including share premium)	57.23	-
Dividend paid	0.81	0.38
Raman Munjal Vidya Mandir (RKMF)		
Contribution made for corporate Social Responsibility	4.93	0.60
Buisness Promotion expense	0.01	-
Munjal Acme Packaging Systems Private Limited		
Proceeds against share issued (including share premium)	-	65.80
Dividend paid	0.54	-

(c) Transactions with key management personnel and their relatives:

	As at March 31, 2019	As at March 31, 2018
Short term employee benefits*	27.48	20.64
Proceeds against share issued (including share premium)	16.55	-
Dividend paid	0.30	0.15
Director sitting fee	0.26	0.29
Employee share based payment expense	1.43	-

* Does not include grauity and compensated absaences as these are provided based on the Group as a whole.

Outstanding balances at the year end :

(a) Parties in respect of which the Holding Company is an Associate

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Hero MotoCorp Limited			
Amount receivable as at year end	3.00	5.19	1.21

(b) Enterprises over which key management personnel and their relatives are able to exercise significant influence

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Hero Future Energies Private Limited (Merged with Clean Solar Power (Hiriyur) Private Limited)			
Loan outstanding at the year end (receivable)	175.00	50.00	50.00
A.G. Industries Private Limited			
Loan outstanding at the year end (receivable)	8.01	9.00	10.00
Hero Solar Energy Private Limited			
Loan outstanding at the year end (receivable)	50.39	100.00	-

(c) Outstanding balance due to key management personnel and their relatives as at year end:

	As at March 31, 2019	As at March 31, 2018	As at April 1, 2017
Salary and wages payable	12.34	7.5	4.02
Post-employment benefits*	-	-	-
Other long-term benefits*	-	-	-

* Does not include gratuity and compensated absences as these are provided based on the Group as a whole.

Note 37: Capital

The Reserve Bank of India (RBI) and National Housing Bank (NHB) sets and monitors capital adequacy requirements for the Companies with in the Group from time to time. The Companies within the Group have complied with the minimum stipulated capital requirement for Tier 1 and Tier II. The Companies within the Group authorized the Assets and Liability and Management Committee (ALCO) to review the capital requirement of the respective entity. Treasury team closely monitors the Tier I and Tier II capital requirement of the Companies with in the Group and report to ALCO.

The primary objectives of Group's capital management policy are to ensure that the Group complies with regulatory capital requirements as prescribed by RBI for Holding Company i.e 15% and NHB for subsidiary company i.e 12%. The Group ensure adequate capital at all the time and manages its business in a way in which capital is protected, satisfactory business growth is ensure, cash flow are monitored, borrowing covenants are honored and ratings are maintained.

Note 38: Events after balance sheet date

There have been no events after the reporting date that requires disclosure in these consolidated financial statements.

Note 39: Financial instruments

(a) Financial instruments by category and fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:
(a) recognised and measured at fair value and
(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

As at March 31, 2019	Carrying amount				Fair value		
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents*	-	-	106.68	**106.68**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.55	**0.55**	-	-	-
Trade receivables*	-	-	4.34	**4.34**	-	-	-
Loans	-	-	19,771.20	**19,771.20**	-	-	19,661.96
Investments	811.98	-	-	**811.98**	639.67	-	172.31
Other financial assets*	-	-	51.62	**51.62**	-	-	-
	811.98	-	**19,934.39**	**20,746.37**	**639.67**	-	**19,834.27**
Financial liabilities							
Trade payable							
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.02	**0.02**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	119.58	**119.58**	-	-	-
Debt securities	-	-	6,852.95	**6,852.95**	-	-	6,834.76
Borrowing (other than debt securities)	-	-	9,344.69	**9,344.69**	-	-	9,344.69
Subordinated liabilities	-	-	448.78	**448.78**	-	-	449.65
Other financial liabilities*	-	-	569.42	**569.42**	-	-	-
	-	-	**17,335.44**	**17,335.45**	-	-	**16,629.10**

As at March 31, 2018	Carrying amount				Fair value		
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents*	-	-	0.69	**0.69**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.48	**0.48**	-	-	-
Trade receivables*	-	-	5.78	**5.78**	-	-	-
Loans	-	-	13,158.06	**13,158.06**	-	-	13,209.05
Investments	53.72	-	-	**53.72**	46.74	-	6.98
Other financial assets*	-	-	41.20	**41.20**	-	-	-
	53.72	-	**13,206.21**	**13,259.93**	**46.74**	-	**13,216.03**
Financial liabilities							
Trade payable							
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.08	**0.08**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	72.76	**72.76**	-	-	-
Debt securities	-	-	5,672.09	**5,672.09**	-	-	5,661.96
Borrowing (other than debt securities)	-	-	4,813.65	**4,813.65**	-	-	4,813.65
Subordinated liabilities	-	-	300.00	**300.00**	-	-	299.32
Other financial liabilities*	-	-	359.51	**359.51**	-	-	-
	-	-	**11,218.09**	**11,218.09**	-	-	**10,774.93**

As at April 1, 2017	Carrying amount				Fair value		
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents*	-	-	2.76	**2.76**	-	-	-
Bank balance other than cash and cash equivalents*	-	-	0.55	**0.55**	-	-	-
Trade receivables	-	-	10.28	**10.28**	-	-	
Loans	-	-	9,650.56	**9,650.56**	-	-	9,434.21
Investments	56.61	-	-	**56.61**	49.63	-	6.98
Other financial assets*	-	-	3.95	**3.95**	-	-	-
	56.61	**-**	**9,668.10**	**9,724.71**	**49.63**	**-**	**9,441.19**
Financial liabilities							
Trade payable							
(i) Total outstanding dues of micro enterprises and small enterprises; and	-	-	0.05	**0.05**	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	54.87	**54.87**	-	-	-
Debt securities	-	-	3,002.83	**3,002.83**	-	-	3,011.44
Borrowing (other than debt securities)	-	-	4,467.95	**4,467.95**	-	-	4,467.95
Subordinated liabilities	-	-	200.00	**200.00**	-	-	201.58
Other financial liabilities*	-	-	230.15	**230.15**	-	-	-
	-	**-**	**7,955.85**	**7,955.85**	**-**	**-**	**7,680.97**

*The carrying amount of cash and cash equivalents, bank balance other than cash and cash equivalents, trade receivables other financial assets, trade payable and other financial liabilities approximates the fair value, due to their short-term nature (except for the level 3 balance shown under other financial assets and other financial liabilities), fair value for security deposit, margin money received from customer for which fair value was calculated based on the discounted EIR.

(b) Valuation framework

The finance department of the Group includes personnel that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO).

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Group develops Level 3 inputs based on the best information available in the circumstances.

The Group uses suitable valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation.

Loans

The fair value of loan and advances are estimated by discounted cash flow models. For fixed rate loans, the fair value represent the discounted value of the expected future cash flow. For floating rate interest loans, the carrying amount of loans represent fair market value of loans. Fair value is then reduced by the impairment loss allowance on loans which is already calculated incorporating probability of default and loss given defaults.

Debt securities, borrowings (other than debt securities) and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt. Further, for floating rate interest bearing borrowings, the carrying amount of borrowings represent fair market value of borrowings.

Investments

Investment in alternate investment fund is recorded at FVTPL, the fair value of which is determined using discounted cash flow model which is carried out by third party. Fair value of investment in commercial papers, forum 1 aviation approximates the carrying value and investment in mutual fund are fair valued using NAV at reporting date.

There were no transfers between levels during the year.

Note 40: Risk management framework

40.1 *Risk profile and risk mitigation*

(a) Risk management structure and Group risk profile

The respective Company's Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The respective Board of directors has established the Risk Management Advisory Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee of respective Companies oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the respective Companies.

40.2 Credit risk

Credit risk arises from loans, cash and cash equivalents, bank balance other than cash and cash equivalents, investments and other financial assets. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's asset on finance and trade receivables from customers; loans and investments. The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

Financial assets measured on a collective basis

The Group splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Group on terms that the Group would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Group standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Portfolio review is performed every quarter and is reviewed by the management on quarterly basis.

(b) Definition of default

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Group considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers.

(c) Probability of default (PD)

Day past dues (DPD) analysis is the preliminary inputs in the determination of the term structure of DPD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by region, type of product, borrowers as well as by DPD. The Group analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as result of passage of time.

(d) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

(e) Loss given default

Loss given default (LGD) represent estimated financial loss the Holding Company is likely to suffer in the event of default and it is used to calculate provision requirement on EAD along with probability of default. LGD values are assessed, reviewed and approved by the Holding Company. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

LGD for the entire portfolio of subsidiary company has been computed using collateral realization approach. The Origination Market Value of collateral has been assumed as proxy for recovery and Economic Loss was computed using the formula Economic Loss = EAD (Exposure at Default) - Market Value of collateral at loan origination + Cost of recovery. However in the absence of any historical data given the extant nature of its portfolio, with all the accounts falling in stage 1, we have considered a floor LGD in line with the RBI prudential Norms 2011 for LGD of mortgage loans

(f) Significant increase in credit risk

The Group continuously monitor all the assets subject to ECL in order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been significant increase in credit risk since initial recognition. TheGroup also applies a secondary qualitative methods for triggering a significant increase in credit risk for an asset, such as moving customer/ facilities to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than one month overdue, the credit risk is deemed to have increase significantly since initial recognition. The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

g) Expected credit loss on Loans

The Group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, date of initial recognition, remaining term to maturity, collateral type, and other relevant factors.

The Group considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days but less than 90 days are classified under Stage 2. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Group considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the statistical models and other historical data.

40.2.1 Inputs, assumptions and estimation techniques used to determine expected credit loss

The Holding Company's loan loss provision is made on the basis of the Company's historical loss experience and future expected credit loss, after factoring in various macro-economic parameters such as GDP growth rate (YoY), change in unemployment rate (YoY), G-Sec interest rate and change in bank credits (YoY).The selection of these variables was made purely based on business sense.

The macro- economic variables were regressed using a logical regression against systemic default ratio out of the impact of macro-economic variables on the system wide default rates. Best, base, moderate, worst and current scenarios were created for all the variables and default rates were estimated for all the scenarios. The differential default rates between the current and the best, worst, base, moderate scenarios are then found out. This differential factor is then added to the base probability of default term structure, which was arrived using the Kaplan Meier technique, thereby creating four different probability of default term structures for the four scenarios.

40.2.2 Analysis of risk concentration

The Group 's concentrations of risk are managed by client/counterparty and industry sector. The maximum credit exposure to any individual client or counterparty was Rs. 282.20, Rs. 270.41 and Rs. 210.84 as at March 31, 2019, March 31, 2018 and April 1, 2017, respectively.

40.2.3 Analysis of portfolio

An analysis of changes in gross carrying amount in relation to Loan portfolio is as follows:

Particulars	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	12,437.20	492.39	550.49	13,480.08	9,222.93	306.85	293.11	9,822.89
New assets originated (refer note 1and 2 below)	14,375.83	373.55	46.43	14,795.81	11,412.25	185.06	40.62	11,637.93
Assets repaid (excluding write offs) (refer note 2 below)	(7715.55)	(209.74)	(96.80)	(8,022.09)	(7700.82)	(149.14)	(72.37)	(7,922.33)
Transfers from Stage 1	(624.71)	393.16	231.55	-	(504.51)	268.41	236.10	-

Transfers from Stage 2	71.24	(233.94)	162.70	-	7.39	(119.00)	111.61	-
Transfers from Stage 3	10.45	4.04	(14.49)	-	0.66	0.43	(1.09)	-
Amounts written off	-	-	-	-	(0.70)	(0.22)	(57.49)	(58.41)
Gross carrying amount closing balance	**18,554.46**	**819.46**	**879.88**	**20,253.80**	**12,437.20**	**492.39**	**550.49**	**13,480.08**

Reconciliation of Impairment loss allowance in relation to Loan portfolio is as follows:

Particulars	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment allowance- opening balance	93.23	43.22	185.57	322.02	47.54	21.17	103.62	172.33
New assets originated (refer note 1, 2 and 3 below)	69.41	35.01	56.43	160.85	61.47	12.38	28.34	102.19
Effect of change in estimate/ repayment	42.46	6.15	(48.88)	(0.27)	75.97	17.02	(45.49)	47.50
Transfers from Stage 1	(111.94)	46.27	65.67	-	(92.12)	24.50	67.62	-
Transfers from Stage 2	0.24	(40.40)	40.16	-	0.35	(31.91)	31.56	-
Transfers from Stage 3	0.05	0.58	(0.63)	-	0.02	0.06	(0.08)	-
Impairment allowance- Closing balance	**93.45**	**90.83**	**298.32**	**482.60**	**93.23**	**43.22**	**185.57**	**322.02**

An analysis of Expected credit loss rate:

Particulars	For the year ended March 31, 2019				For the year ended March 31, 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Expected credit loss rate*	0.50%	11.08%	33.90%	2.38%	0.75%	8.78%	33.71%	2.39%

* Expected credit loss rate is computed ECL divided by EAD

Note 1: New assets originated represents fresh disbursals made during the year. Classification of new assets originated in stage1, 2,3 is based on year end staging.

Note 2 : Assets originated and repaid during the year have not been disclosed in the movement of gross carrying amount.

Note 3: The contractual amount of financial assets that has been written off by the Group during the year ended 31 March 2019 and that were still subject to enforcement activity was Rs. Nil (March 31, 2018 Rs. 58.41)

Note 4 : The Group recognize expected credit loss (ECL) on collective basis that takes into account comprehensive credit risk information.

Expected credit loss (ECL) has increased from Rs. 172.33 to Rs. 322.02 as at March 31, 2018. Further, the same has been increased to Rs. 482.60 by March 31, 2019. Primarily reason for increase is increase in Exposure at Default. EAD has been increased by 37.23% by the year ended March 31, 2018 as compared to year ended March 31, 2017 and the same has been increased by 50.25% by the year ended March 31, 2019 as compared to year ended March 31, 2018. Further, the increase in ECL is primarily on account of increase in expected loss rate percentage in Stage I, II and III categories primarily on account of increase in probability of default and marginally on account of change in percentage of loss given default. During the year ended March 31, 2019, overall expected loss rate in stage III is increased to 33.90% as compared to 33.71% during the year ended March 31, 2018 whereas in Stage I and II expected loss rate percentage is marginally decrease as compared to previous year.

40.2.4 *Collateral and other credit enhancements*

The loan portfolio of the holding Company has both secured and unsecured loans and they vary with the type of funding. Products like loan against property, machinery term loan, medical equipment financing, corporate loan, two wheeler loan and pre owned car loan are all secured loans whereas products like business loan and loyalty program generally do not carry any collateral security.

For loan against property, properties (residential, commercial, industrial, mixed use, etc.) are generally acceptable collateral. Machinery term loan and medical equipment financing are given against the collateral of the equipment being funded. For corporate loan there is usually a collateral basket comprising of properties, rated securities, current assets (including stock and book debts), plant and machinery, and deposits. For two wheeler loan and pre owned car loan, the respective vehicle against which the loan been offered is taken as a collateral security.

The Company has a pre-defined loan to value norms in the policy and the same is disbursed to control the risk of the Holding Company. For loan against property, the loan to value ('LTV') is in the range of 50 to 75%. For machinery term loan the loan to value range is between 65 to 80%. For corporate loan, the funding is secured by way of a collateral basket – the overall security cover is generally maintained in the range of 1.1 times to 3 times and above. For loan against shares, a minimum cover of 2 times is maintained.

For pre-owned car and two wheeler loan, the Holding Company maintains a loan to value range of 75 to 90% depending upon tenure and model.

Valuation of the collateral, wherever applicable, is done by empaneled valuers who carry the necessary experience and expertise in the area. The guidelines governing these valuation have been clearly laid out for each collateral class. For two wheeler loan since the asset is new no valuation is has been carried out by the Holding Company. Valuation of the collateral for pre-owned car is done by empanelled valuers who carry the necessary experience and expertise in the area. Valuation of the credit impaired assets (stage 3 assets) are carried out by our empanelled valuers and for all assessment /provisioning purposes, distress value is considered. The Holding Company has an in-house team of technical managers who manage property valuation activity.

The loan portfolio of the subsidiary company generally comprises housing loan and non-housing loan which are generally secured by land and building such as residential building, commercial building, industrial building, etc. The Subsidiary Company is regulated by National Housing Bank Directions (NHB Directions) , the LTV ratios are in line with the NHB directions and the internal credit policy framework of the Subsidiary company. Generally LTV is in the range of 5% -90%.

40.3 *Liquidity risk*

Liquidity risk arises as Group has contractual financial liabilities that is required to be serviced and redeemed as per committed timelines and in the business of lending where money is required for the disbursement and creation of financial assets to address the going concern of Group. Liquidity risk management is imperative to Group as this allows covering the core expenses, market investment / creation of financial assets, timely repayment of debt commitments and continuing with their operations. The Group with the help of ALCO committee, ALM policy and Liquidity Desk, monitors the Liquidity risk and uses structural, dynamic liquidity statements and cash flow statements as a mechanism to address this.

The Companies in the group aim to maintain the level of its cash equivalents, un-utilized borrowing lines and cash inflow at an amount in excess of expected cash outflows on financial liabilities over the next one year. At March 31, 2019, the net of expected cash inflows and outflows within 12 months are Rs. 3,517.69 (March 31, 2018: Rs. 1,413.16; April 1,2017: Rs. 1,104.33).

40.3.1 *Contractual maturities of financial instruments*

The table below summarizes the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at reporting date.

As at March 31, 2019	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	106.66	0.02	-	-	106.68
Bank balance other than cash and cash equivalents	-	0.55	-	-	0.55
Trade receivables	-	4.34	-	-	4.34
Loans*	-	10,622.11	7,056.47	2,663.90	20,342.48
Investments	-	704.08	-	107.90	811.98
Other financial assets	-	49.16	1.63	2.30	53.09
Total undiscounted financial assets	**106.66**	**11,380.26**	**7,058.10**	**2,774.10**	**21,319.12**
Financial liabilities					
Trade payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.02	-	-	0.02
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	119.58	-	-	119.58
Debt securities	-	4,710.51	2,094.00	50.00	6,854.51
Borrowings (other than debt securities)	2.97	2,513.31	6,789.21	40.00	9,345.49
Subordinate liabilities	-	-	-	450.00	450.00
Other financial liabilities	-	502.37	74.81	5.38	582.56
Total undiscounted financial liabilities	**2.97**	**7,845.79**	**8,958.02**	**545.38**	**17,352.16**
Net undiscounted financial assets/(liabilities)	**103.69**	**3,534.47**	**(1,899.92)**	**2,228.72**	**3,966.96**
Total Commitments	120.47	-	-	-	120.47

As at March 31, 2018	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	0.26	0.43	-	-	0.69
Bank balance other than cash and cash equivalents	-	0.48	-	-	0.48
Trade receivables	-	5.78	-	-	5.78
Loans*	-	6,719.12	4,892.58	1,932.35	13,544.05
Investments	-	46.25	-	7.47	53.72
Other financial assets	-	39.94	0.98	0.91	41.83
Total undiscounted financial assets	**0.26**	**6,812.00**	**4,893.56**	**1,940.73**	**13,646.55**
Financial liabilities					
Payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.08	-	-	0.08
- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	72.76	-	-	72.76
Debt securities	-	3,561.09	2,111.00	-	5,672.09
Borrowings (other than debt securities)	-	1,423.65	3,390.00	-	4,813.65
Subordinate liabilities	-	-	-	300.00	300.00
Other financial liabilities	-	337.65	24.67	4.90	367.23
Total undiscounted financial liabilities	**-**	**5,395.23**	**5,525.67**	**304.90**	**11,225.80**
Net undiscounted financial assets/(liabilities)	**0.26**	**1,416.77**	**(632.11)**	**1,635.83**	**2,420.75**
Total Commitments	3.87	-	-	-	3.87

As at April 1, 2017	On demand	Less than 1 year	1-5 years	More than 5 years	Total
Financial assets					
Cash and cash equivalents	2.64	0.12	-	-	2.76
Bank balance other than cash and cash equivalents	-	0.55	-	-	0.55
Trade receivables	-	10.28	-	-	10.28
Loans*	-	4,596.97	3,685.71	1,585.26	9,867.94
Investments	-	49.19	-	7.42	56.61
Other financial assets	-	3.27	0.67	0.27	4.21
Total undiscounted financial assets	**2.64**	**4,660.38**	**3,686.38**	**1,592.95**	**9,942.35**
Financial liabilities					
Payables					
- Total outstanding dues of micro enterprises and small enterprises; and	-	0.05	-	-	0.05

- Total outstanding dues of creditors other than micro enterprises and small enterprises	-	54.87	-	-	54.87
Debt Securities	-	1,728.43	1,274.40	-	3,002.83
Borrowings (Other than Debt Securities)	-	1,566.27	2,901.68	-	4,467.95
Subordinate liabilities	-	-	-	200.00	200.00
Other financial liabilities	-	208.23	21.90	3.90	234.03
Total undiscounted financial liabilities	**-**	**3,557.85**	**4,197.98**	**203.90**	**7,959.73**
Net undiscounted financial assets/(liabilities)	**2.64**	**1,102.53**	**(511.60)**	**1,389.05**	**1,982.62**
Total Commitments	0.84	-	-	-	0.84

* This represents contractual maturities of loans without expected credit loss and EIR adjustments.

40.4 *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instrument will flucate due to changes in market variables such as interest rates, foreign exchange rates etc The objective of market risk management is to manage and control market risk exposure within acceptable parameters. while maximising the return.

Interest rate risk

The Group uses a mix of cash and borrowings to manage the liquidity and fund requirements of its day-to-day operations. Further, certain interest bearing liabilities carry variable interest rates. Interest rate risk on variable borrowings is managed by way of regular monitoring borrowing rate.

The exposure of Group's financial assets and liabilities to interest rate risk is as follows:

Financial assets	Floating rate instruments	Fixed rate instruments
March 31, 2019	7,871.32	12,382.48
March 31, 2018	5,824.09	7,655.99
April 1, 2017	4,970.59	4,852.30
Financial liabilities		
March 31, 2019	8,919.70	7,726.72
March 31, 2018	4,813.65	5,972.09
April 1, 2017	4,468.77	3,202.01

The table below illustrates the impact of a 1.00% movement in interest rates on interest income and interest expense on floating loans and floating borrowings respectively for next one year, assuming that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average loans and borrowings outstanding during the year.

Movement in interest rates	Impact on profit before tax For the year ended March 31, 2019	Impact on profit before tax For the year ended March 31, 2018
1.00%	(8.78)	24.19
(1.00%)	8.78	(24.19)

Note 41: First time adoption of Ind AS

Explanation of transition to Ind AS

These financial statements, for the year ended March 31, 2019, are the first financial statements the Group has prepared in accordance with Indian Accounting Standards (Ind AS) as per Companies (Indian Accounting Standards) Rules 2015 notified under Section 133 of the Companies Act, 2013, ('the Act') (including subsequent amendments thereto) and other relevant provisions of the Act. Accordingly, the Group has prepared its financial statements to comply with Ind AS applicable for the year ended March 31, 2019, together with comparative period data as at and for the year ended March 31, 2018, as described in the summary of significant accounting policies.

In preparing these financial statements, the Group's opening balance sheet was prepared as at April 1, 2017, the Group's date of transition to Ind AS. According to Ind AS 101, the first Ind AS financial statements must use recognition and measurement principles that are based on standards and interpretations that are effective at March 31, 2019, the date of first-time preparation of Financial Statements according to Ind AS. These accounting principles and measurement principles must be applied retrospectively to the date of transition to Ind AS and for all periods presented within the first Ind AS Financial Statements.

Any resulting differences between carrying amounts of assets and liabilities according to Ind AS 101 as of April 1, 2017 compared with those presented in the previous GAAP Balance Sheet as of March 31, 2017, were recognized in equity under retained earnings within the Ind AS Balance Sheet.This note explains the principal adjustments made by the Group in restating its previous GAAP financial statements, including the balance sheet as at April 1, 2017 and financial statements as at and for the year ended March 31, 2018.

Exemptions applied

In preparing the financial statements, the Group has applied the below mentioned optional exemptions and mandatory exceptions.

A. Optional exemptions:

(i) Property, plant and equipment and other intangible assets

As per Ind AS 101 an entity may elect to:

a) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date; or

b) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:
   - fair value;
   - or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index

   The elections under (a) and (b) above are also available for other intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existance of an active market); or

(c) use carrying values of property, plant and equipment and intangible assets as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

   The Group has elected to apply the exemption available under Ind AS 101 to use the carrying value (measured as per the previous GAAP) for all of its property, plant and equipment and other intangible assets as recognised in the financial statements as at the date of transition to Ind ASs, as deemed cost as at the date of transition (i.e. April 1, 2017).

B. Mandatory exceptions:

(i) Estimates

As per Ind AS 101, an entity's estimates in accordance with Ind AS at the date of transition to Ind AS and at the end of the comparative period presented in the entity's first Ind AS financial statements, as the case may be, should be consistent with estimates made for the same date in accordance with the previous GAAP unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

The Group's estimates under Ind AS are consistent with the above requirement. Key estimates considered in preparation of the financial statements that were not required under the previous GAAP are listed below:

- Fair value of financial instruments carried at fair value through profit and loss and/ or fair value through other comprehensive income;
- Impairment of financial assets based on the expected credit loss model; and
- Determination of the discounted value for financial instruments carried at amortised cost.

(ii) Classification and measurement of financial assets and liabilites

Ind AS 101 requires an entity to assess classification of financial assets and liabilites on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets and liabilites accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Group has determined the classification of financial assets and liabilites bases on facts and circumstances that exist on the date of transition. Measurement of the financial assets and liabilites accounted at amortised cost has been done retrospectively except where the same is impracticable.

(i) Reconciliation of balance sheet

Particulars	Notes to first-time adoption	As at date of transition 1st April 2017			As at 31st March 2018		
		Previous GAAP*	Adjustment on transition to Ind AS	Ind AS	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Assets							
Financial assets							
Cash and cash equivalents		2.76	-	2.76	0.69	-	0.69
Bank balance other than cash and cash equivalents		0.55	-	0.55	0.48	-	0.48
Trade receivables		10.28	-	10.28	5.78	-	5.78
Loans	(a)	9,707.28	(56.72)	9,650.56	13,245.38	(87.32)	13,158.06
Investments	(j)	56.18	0.43	56.61	53.24	0.48	53.72
Other financial assets		4.22	(0.27)	3.95	41.83	(0.63)	41.20
Non financial assets							
Current tax assets (net)		9.50	-	9.50	10.12	-	10.12
Deferred tax assets (net)	(f)	45.52	24.60	70.12	82.17	40.97	123.14
Property, plant and equipment		97.66	-	97.66	96.26	-	96.26
Other intangible assets		7.44	-	7.44	14.49	-	14.49
Other non-financial assets	(a), (b), (c), (e),	7.84	0.24	8.08	18.02	0.59	18.61
Total assets		**9,949.23**	**(31.72)**	**9,917.51**	**13,568.46**	**(45.91)**	**13,522.55**
Liabilites and Equity							
Financial liabilities							
(i) Total outstanding dues of micro enterprises and small enterprises; and		0.05	-	0.05	0.08	-	0.08
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		54.87	-	54.87	72.77	-	72.77
Debt securities		3,002.83	-	3,002.83	5,672.09	-	5,672.09
Borrowing (other than debt securities)		4,467.95	-	4,467.95	4,813.65	-	4,813.65
Subordinated liabilities		200.00	-	200.00	300.00	-	300.00
Other financial liabilities	(b)	234.03	(3.88)	230.15	367.24	(7.73)	359.51

Non financial liabilities			-				
Provisions		9.01	-	9.01	14.87	-	14.87
Current tax liabilities (net)		21.97	-	21.97	14.90	-	14.90
Other non - financial liabilities	(b)	8.24	3.76	12.00	18.77	7.46	26.23
Total liabilities		**7,998.95**	**(0.12)**	**7,998.83**	**11,274.37**	**(0.27)**	**11,274.10**
Equity							
Equity share capital		92.68	-	92.68	98.45	-	98.45
Other equity		1,857.60	(31.60)	1,826.00	2,195.64	(45.64)	2,150.00
Total equity		**1,950.28**	**(31.60)**	**1,918.68**	**2,294.09**	**(45.64)**	**2,248.45**
Total equity and liabilities		**9,949.23**	**(31.72)**	**9,917.51**	**13,568.46**	**(45.91)**	**13,522.55**

*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note

(ii) Reconciliation of total comprehensive income for the year ended March 31, 2018

Particulars	Notes to first-time adoption	Previous GAAP*	Adjustment on transition to Ind AS	Ind AS
Revenue from operations				
Interest Income	(b), (c), (e), (i)	1,660.23	(126.35)	1,533.88
Dividend Income		0.01	-	0.01
Profit on sale of investments		3.74	(0.10)	3.64
Rental income		22.85	-	22.85
Net gain on fair value changes	(k)	-	3.19	3.19
Others		130.94	-	130.94
Total income (I)		**1,817.77**	**(123.26)**	**1,694.51**
Expenses				
Finance costs	(b)	683.66	-	683.66
Impairment on allowance on loans	(e)	107.86	28.29	136.15
Employee benefits expenses	(i)	152.63	(5.02)	147.61

Depreciation and amortization		26.52	-	26.52
Other expenses	(a), (i)	605.07	(116.86)	488.21
Total Expenses (II)		**1,575.74**	**(93.59)**	**1,482.15**
Profit before tax (I-II)		**242.03**	**(29.67)**	**212.36**
Tax expense:				
(i) Current tax		125.44	-	125.44
(ii) Tax adjustment relating to earlier year		(3.25)	-	(3.25)
(ii) Deferred tax (credit) (net)	(f)	(36.65)	(16.10)	(52.76)
Profit for the year		**156.49**	**(13.56)**	**142.93**
Other comprehensive income / (loss)				
Items that will not be reclassified to profit or loss:-				
Remeasurement of (losses) on defined benefit plans	(d)	-	(0.74)	(0.74)
Income tax impact on above	(f)	-	0.26	0.26
Other comprehensive income/(loss) for the year net of tax		**-**	**(0.48)**	**(0.48)**
Total comprehensive income for the year		**156.49**	**(14.05)**	**142.45**

**The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purpose of this note*

(iii) Reconciliation of total equity as at March 31, 2018 and April 1, 2017

Particulars	As at date of transition 1st April 2017		
	Notes to first-time adoption	As at April 1, 2017	As at March 31, 2018
Total equity (shareholder's funds) as per previous GAAP		**1,950.28**	**2,294.09**
Adjustments on transition to Ind AS :			
Impact of provision as per expected credit loss	(e)	(26.30)	(54.59)
Decrease in interest income pursuant to application of effective interest rate method	(i)	(45.06)	(63.97)
Income recognition of stage III assets	(c)	13.94	27.49
Others	(j)	1.21	4.46
Deferred tax on above (to the extent applicable)	(f)	24.61	40.97
Total adjustments on transition to Ind AS		**(31.60)**	**(45.64)**
Other comprehensive income/ (loss) net of tax		-	-
Total equity as per Ind AS		**1,918.68**	**2,248.45**

(iv) Impact of Ind AS adoption on the statement of cash flows for the year ended March 31, 2018

There are no material adjustment in the statement of cash flow hence no reconciliation of cash flow is provided.

Notes to the reconciliations

(a) Financial assets (Loans) : Security deposits

Under previous GAAP, interest free security deposits (that are refundable in cash on completion of the term as per the contract) are recorded at their transaction value. Under Ind AS, such financial assets are required to be recognised initially at their fair value and subsequently at amortised cost. Difference between the fair value and transaction value of the security deposit has been recognised as deferred rent. The unwinding of security deposit happens by recognition of a notional interest income in Statement of Profit and Loss at effective interest rate. The deferred rent gets amortised on a straight line basis over the term of the security deposits.

(b) Financial liabilities : Margin money deposit

Under previous GAAP, interest free long term liabilities for which the Group has contractual obligation to deliver cash or another financial asset to another entity are recorded at their transaction value. Under Ind AS, such financial liabilities are required to be recognised initially at their fair value and subsequently at amortised cost. Difference between the fair value and transaction value of the margin money has been recognised as accrued income. The unwinding of margin money happens by recognition of a notional interest expense in Statement of Profit and Loss at effective interest rate. The accrued income gets recognized on a straight line basis over the term of the security deposits.

(c) Interest income on Stage 3 assets

Under the previous GAAP, interest income is recognised as it accrues on a time proportion basis taking into account the amount of principle outstanding and the interest rate applicable, except in the case of Stage 3 assets where it is recognised upon realization as per RBI Guidelines. Under Ind AS, interest income from financial assets is recognized on an accrual basis using Effective Interest Rate (EIR) method. Interest revenue continues to be recognized at the original EIR applied on the gross carrying amount for assets falling under impairment stages 1 and 2 as against on written down amount for the assets falling under impairment stage 3.

(d) Actuarial gain and loss

Under Ind AS, remeasurements i.e. actuarial gains and losses on the net defined benefit liability are recognised in other comprehensive income instead of statement of profit and loss. Under previous GAAP these were forming part of the statement of profit and loss for the year.

(e) Loss allowance

Under previous GAAP provisions for credit losses were primarily based on management assessment. Under Ind AS, the ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial assets ('lifetime ECL'), unless there has been no significant increase in credit risk since originatin, in which case, the allowance is based on the 12 - month-ECL.

(f) Deferred tax

Under previous GAAP accounting for deferred tax, using the income statement approach, which focuses on differences between taxable profits and accounting profits for the year. Ind AS requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base.In addition, the various transitional adjustments lead to temporary differences.

(g) Retained earnings

Retained earnings as at April 1, 2017 has been adjusted consequent to the above Ind AS transition adjustments. Refer 'Reconciliation of total equity as at March 31, 2018 and April 1, 2017' as given above for details.

(h) Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss includes remeasurements of defined benefit plans. The concept of other comprehensive income did not exist under previous GAAP.

(i) EIR on loans

Under the previous GAAP transaction income/cost charged to customer was recognised upfront while under Ind AS, such costs are included in the initial recognition amount of financial asset and recognised as interest income using the effective interest method.

(j) Fair value of investment through profit and loss

Under previous GAAP, investments in equity instruments were carries at cost subject to permanent diminution (if any), Under Ind AS, these investments are required to be measured at fair value.

(k) Statement of cash flows

The impact of transition from previous GAAP to Ind AS on the statement of cash flow is due to reclassification adjustments recorded under Ind AS balance sheet and statement of profit and loss. The transition from previous GAAP to Ind AS does not have a material impact of the statement of cash flow of the Group.

Note 42: Employee Stock Option Scheme

The Employee Stock Options Scheme titled "ESOP Scheme 2017" in respect of holding company and "ESOP Scheme 2018" in respect of subsidiary company or "the Scheme" was approved by the shareholders of the holding Company and subsidiary company through postal ballot on June 09, 2017 and September 21, 2018 respectively. The Scheme covered 2,639,703 options of holding Company and 13,150,000 options of subsidiary company. The Scheme allows the issue of options to employees of the respective companies which are convertible to one equity share of the respective companies. As per the Scheme, the Nomination and Remuneration Committee grants the options to the employees deemed eligible. The options granted vest over a period of 4 years from the date of the grant in proportions specified in the ESOP Plan. Options may be exercised by the employees after vesting period within 4.5 years from the date of grant in respect of holidng company and in respect of subsidiary company on each anniversary as and when the options get vested or thereafter or occurance of any liquidity event, whichever is earlier, subject to maximum exercise period of 5 years from the date of vesting of such option. The fair value as on the date of the grant of the options, representing Stock compensation charge, is expensed over the vesting period.

Plan	Number of Options Granted	Grant date	Vesting condition and vesting period	Exercise price (Rs.)	Weighted average fair value of the options at grant date (Rs.)
ESOP 2017	962,590	July 1, 2017	10% on completion of first year, 20% on completion of second year, 30% on completion of third year and 40% on completion of fourth year	495	240.60
ESOP 2017	25,000	December 1, 2017		495	329.09
ESOP 2017	49,000	December 5, 2017		495	329.21
ESOP 2017	93,215	January 8, 2018		495	327.95
ESOP 2018-Tranche 1	1,200,000	September 24, 2018	10% on completion of first year, 25% on completion of second year, 30% on completion of third year and 35% on completion of fourth year	10	56.28
ESOP 2018-Tranche 2	3,000,000	September 24, 2018		10	160.20
ESOP 2018-Tranche 3	3,600,000	September 24, 2018		10	211.32
ESOP 2018-Tranche 4	4,200,000	September 24, 2018		10	265.86

Fair value of share options granted

The fair value of options granted is estimated using the Black Scholes Option Pricing Model after applying the key assumption which are tabulated below.

Inputs in to the pricing model of holding Company

Particulars	ESOP 2017			
	July 1, 2017	December 1, 2017	December 5, 2017	January 8, 2018
Weighted average fair value of option (Rs.)	240.6	329.09	329.21	327.95
Weighted average share price (Rs.)	616.3	647.4	647.4	647.4
Exercise price (Rs.)	495	495	495	495
Expected volatility**	Nil	38.18	38.22	37.8
Option life (Years)	4.5	4.5	4.5	4.5
Dividend yield (%)	0.26	0.82	0.82	0.82
Risk-free interest rate (%)*	6.58	6.6	6.6	6.6

Inputs in to the pricing model of subsidiary Company

Particulars	ESOP 2018			
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Weighted average fair value of option (Rs.)	4.69	5.34	5.87	6.33
Weighted average share price (Rs.)	11.24	11.24	11.24	11.24
Exercise price (Rs.)	10	10	10	10
Expected volatility**	35.61	36.29	36.09	35.69
Option life (Years)	3.5	4.5	5.5	6.5
Dividend yield (%)	Nil	Nil	Nil	Nil
Risk-free interest rate (%)*	7.94	8.03	8.09	8.13

*The risk free interest rate being considered for the calculation is interest rate applicable to the implied yield of zero coupon government securities.

**Expected volatility calculation is based on volatility of similar listed enterprises.

Movement in share options during the year

Particular	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Number of options	Weighted average fair value of the options at grant date (Rs. per share)	Number of options	Weighted average fair value of the options at grant date (Rs. per share)
(i) Outstanding at the beginning of the year	1,104,529	253.91	-	-
(ii) Granted during the year	-	-	1,129,805	253.61
(iii) Forfeited during the year	78,639	240.60	25,276	240.60
(iv) Exercised during the year	-	-	-	-
(v) Outstanding at the end of the year	1,025,890	254.93	1,104,529	253.91
(vi) Exercisable at the end of the year	102,589	254.93	-	-

Weighted average remaining contractual life of options outstanding as at year end is 18 months (March 31, 2018: 27 months) of holding Company.

Movement in share options during the year of subsidiary Company

Particular	For the year ended March 31, 2019		For the year ended March 31, 2018	
	Number of options	Weighted average fair value of the options at grant date (Rs. per share)	Number of options	Weighted average fair value of the options at grant date (Rs. per share)
(i) Outstanding at the beginning of the year	-	-	-	-
(ii) Granted during the year	12,000,000	11.24	-	-
(iii) Forfeited during the year	-	-	-	-
(iv) Exercised during the year	-	-	-	-
(v) Outstanding at the end of the year	12,000,000	11.24	-	-
(vi) Exercisable at the end of the year	-	-	-	-

Weighted average remaining contractual life of options outstanding as at year end is 7.4 years (March 31, 2018: Nil) of subsidiary Company.

During the year ended March 31, 2019, the Group has recorded an employee stock compensation expense of Rs.10.21 (March 31, 2018: Rs.6.95) in the consolidated statement of profit and loss. (refer note 27)

Note 43: Dividend paid and proposed

	As at March 31, 2019	As at March 31, 2018
Declared and paid during the year		
Dividends on ordinary shares:		
Final dividend for the year ended March 31, 2018: Rs. 2.8* per share (March 31, 2017: Rs.1.5 per share)	29.77	13.90
Dividend distribution tax on final dividend declared and paid	6.12	2.83
Total dividends paid (including dividend distribution tax)	**35.89**	**16.73**
After the reporting dates the following dividends were proposed by the Board of Directors subject to the approval of the shareholders at Annual General Meeting. Accordingly, the dividends have not been recognised as liabilities. Dividend would attract corporate dividend tax when declared.		
Dividend on ordinary shares:		
Proposed for approval at Annual General Meeting March 31, 2019: Rs 4.25# per share (March 31, 2018: Rs 2.80* per share)	48.53	27.56
Dividend distribution tax on above	9.98	5.67
	58.51	**33.23**

* On April 30, 2018, the Board of Directors has recommended a final dividend on equity shares of Rs. 2.8 per share for the financial year ended March 31, 2018 and the same was approved by the shareholders at the Annual General Meeting held on 21 September 2018. The amount of proposed dividend in the previous year March 31, 2018 is Rs. 27.56, however the actual payment of dividend paid during the current year March 31, 2019 is Rs.29.77 as it includes dividend on right issue made during the year .

On April 24, 2019, the Board of Directors has declared a final dividend on equity shares of Rs.4.25 per share for the financial year ended March 31, 2019.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Form AOC -1

Salient features of Financial Statements of Subsidiaries / Joint Ventures pusuant to provisions of Section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014

Part "A": Subsidiaries

Amount (INR In Crore)

Sl No.	Particulars	2018-19
1	Name of Subsidiary Company	Hero Housing Finance Limited
2	Reporting period	March 31, 2019
3	Reporting Currency and Exchange rate as on last date of financial year in case of foreign subsidiaries	-
4	Share Capital	250.00
5	Reserves & Surplus	(24.65)
6	Total Assets	666.87
7	Total Liabilities	666.87
8	Investment other than Subsidiaries	100.11
9	Turnover	26.27
10	Profit before Taxation	(22.62)
11	Provision for Taxation	-
12	Profit after Taxation	(22.62)
13	Proposed Dividend	-
14	% of Shareholding	100.00%

Part "B": Associates

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Companies

1	Name of Associate	N.A.
2	Latest audited Balance Sheet Date	N.A.
3	Shares of Associates held by the company on the year end	
	Amount of Investment in Associate	N.A.
	Extend of Holding %	
4	Description of how there is significant influence	N.A.
5	Reason why the associate/joint venture is not consolidated	N.A.
6	Net worth attributable to shareholding as per latest audited Balance Sheet	N.A.
7	Profit / Loss for the year i. Considered in Consolidation ii. Not Considered in Consolidation	N.A.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number:
101248W/ W-100022

For and on behalf of the Board of Directors of
Hero FinCorp Limited

Jiten Chopra	**Pawan Munjal**	**Renu Munjal**	**Abhimanyu Munjal**	**D. N. Davar**
Partner	Chairman	Managing Director	Jt.Managing Director & CEO	Director
Mem. No: 092894	(DIN :- 00004223)	(DIN :- 00012870)	(DIN :- 02822641)	(DIN :- 00002008)

Jayesh Jain
Chief Financial Officer
(FCA: 110412)

Shivendra Suman
Company Secretary
(ACS: 018339)

Place: Gurugram
Date: April 24, 2019

Place: New Delhi
Date: April 24, 2019

Notes

Notes

Notes

Hero FinCorp Limited

CIN: U74899DL1991PLC046774
Registered Office: 34, Community Centre,
Basant Lok, Vasant Vihar, New Delhi-110057
Tel: 011 4604 4100, 011 2614 2451
Fax: 011 2614 3321, 011 2614 3198
E-mail: Investors@HeroFinCorp.com
Website: www.HeroFinCorp.com