

**TVS**  
CREDIT

IN  
FI  
NI  
TY

MAY IT BE  
OUR ONLY  
LIMIT.

ANNUAL REPORT 2017-18

**WE DON'T SET LIMITS FOR OUR  
OWN PERFORMANCE. NEITHER  
SHOULD OUR CUSTOMERS.**

We believe that every individual has infinite potential, which sometimes needs just a little help to be realised. It is our privilege to be that catalyst, to make that small difference, in the lives of millions of Indians. Every day, we stand by our customers as they strive towards goals that look difficult, sometimes even impossible. Our Annual Report for FY 2017-18 salutes the spirit of these customers, men and women who through their own achievements, inspire the dreams of others. It's they who have inspired us to push our own boundaries and maximise our performance.



# INDEX OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING	7
DIRECTORS' REPORT TO THE SHAREHOLDERS	13
REPORT ON CORPORATE GOVERNANCE	50
SECRETARIAL AUDIT REPORT	57
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TVS CREDIT SERVICES LTD	62
ANNEXURE TO INDEPENDENT AUDITORS' REPORT	65
FINANCIAL STATEMENTS	72
SIGNIFICANT ACCOUNTING POLICIES AND ADDITIONAL DISCLOSURES	76

# KEY INFORMATION

## BOARD OF DIRECTORS

Venu Srinivasan, Chairman  
R Ramakrishnan  
T K Balaji  
Sudarshan Venu  
K N Radhakrishnan  
Anupam Thareja  
S Santhanakrishnan  
V Srinivasa Rangan  
Sasikala Varadachari

## AUDIT COMMITTEE

R Ramakrishnan  
S Santhanakrishnan  
V Srinivasa Rangan  
K N Radhakrishnan

## NOMINATION AND REMUNERATION COMMITTEE

R Ramakrishnan  
V Srinivasa Rangan  
K N Radhakrishnan

## CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Venu Srinivasan, Chairman  
R Ramakrishnan  
K N Radhakrishnan

## RISK MANAGEMENT COMMITTEE

R Ramakrishnan  
Anupam Thareja  
S Santhanakrishnan

## ASSET LIABILITY MANAGEMENT COMMITTEE

R Ramakrishnan  
Sudarshan Venu  
Anupam Thareja  
S Santhanakrishnan

## CHIEF EXECUTIVE OFFICER

G Venkatraman

## CHIEF FINANCIAL OFFICER

V Gopalakrishnan

## COMPANY SECRETARY

K Sridhar

## FINANCIAL INSTITUTION

Housing Development Finance Corporation Limited

## STATUTORY AUDITORS

V Sankar Aiyar & Co., Chartered Accountants  
2C, Court Chambers, 35 New Marine Lines,  
Mumbai - 400 020  
Tel: (022) 2200 4465  
Email: mumbai@vsa.co.in

## SECRETARIAL AUDITOR

T N Sridharan  
No. 4, Viswanathan Street, Vivekananda Nagar,  
Ambattur, Chennai - 600 053  
Tel: 044 - 26581508  
Email: tn\_sridhar@yahoo.com

## REGISTERED OFFICE

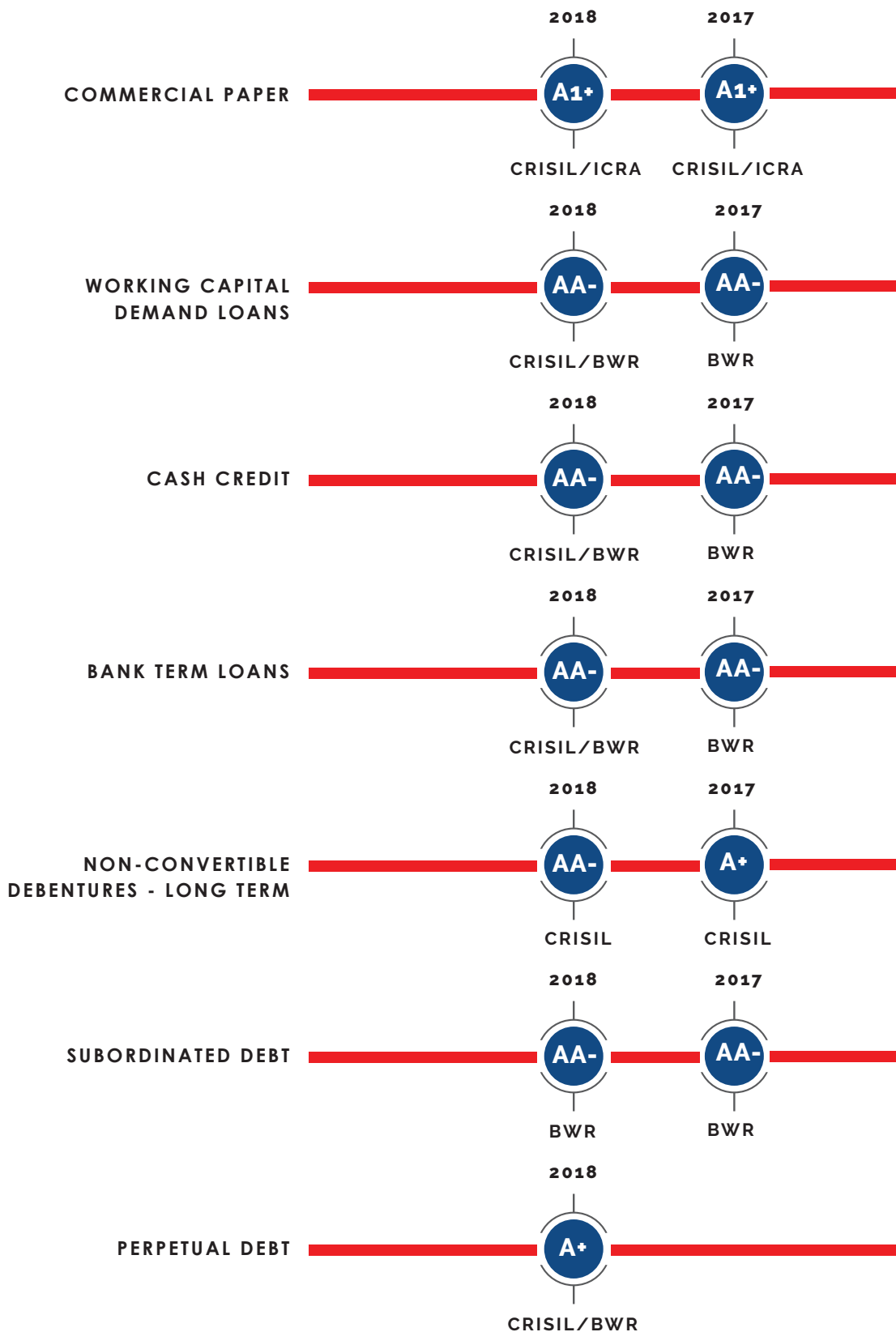
"Jayalakshmi Estates"  
No. 29 (Old No. 8) Haddows Road  
Chennai - 600 006, Tamilnadu, India.  
Tel.: 044 - 28272233 Fax: 044 - 28257121  
CIN: U65920TN2008PLC069758  
Email: kss@tvscredit.com  
Website: www.tvscredit.com

## BANKERS / FINANCIAL INSTITUTIONS

Axis Bank Limited	HDFC Bank Limited
Aditya Birla Finance Limited	HSBC Limited
Bank of Baroda	ICICI Bank Limited
Bank of India	IDBI Bank Limited
Bank of Maharashtra	Indian Bank
BNP Paribas	Karnataka Bank
Canara Bank	South Indian Bank Limited
Central Bank of India	State Bank of India
Citicorp Finance India Ltd	Syndicate Bank
Corporation Bank	Tata Capital Financial Services Limited
CTBC Bank Limited	Union Bank of India
DCB Bank Limited	
Deutsche Bank	
Federal Bank Limited	

# RATINGS ASSIGNED BY CREDIT RATING AGENCIES

Being financially stable and strong is of utmost importance to us, and our credit ratings reflect this philosophy. After all, it's only by standing firm that we can help others to stride forth with confidence.



# NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the tenth annual general meeting of the shareholders of the Company will be held at the Registered Office of the Company at No. 29, Haddows Road, Chennai – 600 006 on Monday, the 18th June, 2018 at 10.00 A.M. to transact the following business:

## ORDINARY BUSINESS

**1. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.**

"RESOLVED THAT the audited balance sheet as at 31st March, 2018, the statement of profit and loss, notes forming part thereof, the cash flow statement for the year ended on that date, together with the directors' report and the auditors' report thereon as circulated to the members and presented to the meeting be and the same are hereby approved and adopted."

**2. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.**

"RESOLVED THAT Mr T K Balaji (holding DIN: 00002010), director, who retires by rotation and being eligible, offers himself for re-appointment, be and is hereby re-appointed as a director of the Company."

**3. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.**

"RESOLVED THAT Mr K N Radhakrishnan (holding DIN: 02599393), director, who retires by rotation and being eligible, offers himself for re-appointment, be and is hereby re-appointed as a director of the Company."

**4. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.**

"RESOLVED THAT the re-appointment of M/s V Sankar Aiyar & Co., Chartered Accountants, Mumbai, having Firm Registration No. 109208W allotted by The Institute of Chartered Accountants of India, as statutory auditors of the Company for the final year in the second term of five years from the conclusion of this annual general meeting, till the conclusion of the next annual general meeting, as recommended by the audit committee and approved by the board of directors of the Company, in terms of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 on such remuneration, as may be mutually agreed upon between the board of directors of the Company and the Statutory Auditors in addition to reimbursement of all applicable taxes, travelling and out-of-pocket expenses, be and is hereby ratified."

# NOTICE TO THE SHAREHOLDERS

## SPECIAL BUSINESS

**5. To consider and, if thought fit, to pass with or without modification, the following resolution as a special resolution:**

**Approval for issue of equity shares on a preferential basis to TVS Motor Company Limited**

RESOLVED THAT, subject to the provisions of Section 42 and Section 62 and all other applicable provisions, if any, of the Companies Act, 2013 and Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014 and other relevant rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) (the Act 2013), memorandum and articles of association of the Company, consent of shareholders of the Company be and is hereby accorded to offer and issue 1,13,20,000 equity shares of Rs. 10/- each at a premium of Rs. 96/- per share amounting to Rs. 119,99,20,000/- (Rupees One Hundred and Nineteen Crores Ninety Nine Lakhs and Twenty Thousand Only) on a preferential basis to TVS Motor Company Limited for cash, in one or more tranches in the manner, as may be decided by the board / committee, from time to time in this behalf, based on the valuation report obtained from M/s Guru & Ram LLP, an independent valuer.

RESOLVED FURTHER THAT the Equity Shares so issued shall upon allotment have the same rights as the existing equity shares and be treated for all other purposes pari passu with the existing shares of the Company.

RESOLVED FURTHER THAT the board of directors be and are hereby authorised to empower Chairman of the Company to decide about the capital to be called up, reserve capital, including the quantum of application / allotment / call money, subject to applicable provisions of the Act 2013.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid special resolution under Sections 42 and 62 of the Act 2013, the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any duly constituted and authorised committee thereof) be and is hereby authorised for and on behalf of the board -

- (a) to decide on the timing and all the terms and conditions of the offer, issue and allotment within the limit as aforesaid and to accept any amendments, modifications, variations or alterations thereto;
- (b) to determine, vary, modify or alter any of the terms and conditions of the issue and allotment of Equity Shares, including reduction of the size of the issue, as it may deem expedient;
- (c) to finalise all other documents, deeds, agreements and instruments as may be required or desirable in relation to the offer and issuance of the aforesaid shares;
- (d) to settle all questions and difficulties, that may arise in the proposed issue, offer and allotment of the said shares, utilisation of the issue proceeds, sign all documents and undertakings, as may be required;
- (e) to do all such acts, deeds, matters and things, in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval thereto expressly by the authority of this resolution; and

# NOTICE TO THE SHAREHOLDERS

- (f) to delegate all or any of the powers herein conferred by this resolution to any director / directors or to any Committee of directors or any officer or officers of the Company to give effect to this resolution.

BY ORDER OF THE BOARD  
For TVS Credit Services Limited

Place : Chennai

K Sridhar

Date : 30th April, 2018

Company Secretary

## NOTES:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the Proxy or Proxies so appointed need not be a member or members, as the case may be, of the Company. The instrument appointing the Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or other authority shall be registered office of the Company, not later than 48 hours before the time fixed for holding the meeting. A person shall not act as a Proxy for more than 50 members and holding in aggregate not more than 10% of the total voting share capital of the Company. However, a single person may act as a Proxy for a member holding more than 10% of the total voting share capital of the Company provided that such person shall not act as a Proxy for any other person.**
- (2)** The explanatory statement, pursuant to Section 102 of the Companies Act, 2013, in respect of the special businesses, as set out in the Notice is annexed hereto.

Encl: Proxy form

## EXPLANATORY STATEMENT IN TERMS OF SECTION 102 OF THE COMPANIES ACT, 2013

The following Explanatory statement sets out all the material facts relating to the 'special business' mentioned in the accompanying Notice dated 30th April, 2018 and shall be taken as forming part of the Notice.

### Item No. 5

The Company proposes to issue shares on a preferential basis to TVS Motor Company Limited (TVSM).

In terms of the provisions of Section 62 of the Companies Act 2013 read with the Companies (Share Capital & Debentures) Rules, 2014 (the Act 2013), it provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by issue of further shares, such shares may be offered to any persons, whether or not those persons, are holders of the equity shares of the Company, if authorised by way of a special resolution.



# NOTICE TO THE SHAREHOLDERS

Similarly, in terms of Section 42 of the Act 2013 read with The Companies (Prospectus and Allotment of Securities) Rules, 2014, framed thereunder, any Company offering or making an invitation to subscribe to shares on a private placement basis, is required to obtain the prior approval of shareholders, by way of a special resolution, for each of the offers and invitations.

Therefore, the board of directors (the board) decided to seek the consent of the shareholders accordingly by way of a special resolution, in terms of Sections 42 and 62 of the Act 2013 read with the Rules made thereunder, for the proposed issue, of 1,13,20,000 equity shares of Rs. 10/- each at a premium of Rs. 96/- amounting to Rs. 119,99,20,000/- (Rupees One Hundred and Nineteen Crores Ninety Nine Lakhs and Twenty Thousand Only) to TVS Motor Company Limited, subject to such terms and conditions as set out hereunder.

Given below is a statement of disclosures, as required under Rule 13(2)(d) of The Companies (Share Capital and Debenture) Rules, 2014 read with Section 62(1)(c) of the Act 2013:

## **Objects of the Issue**

The Company is in the process of diversifying its business for providing a range of financial products and services to its customers and venturing into used Tractor financing and Used Car financing requires additional funds to satisfy the capital adequacy ratio (CAR) norms fixed by the RBI.

With respect to the diversification into used cars and tractors businesses, where the lending tenor would be more than 36 months, the funding programme of the Company would have to be structured in such a way that the borrowing tenor matches with the lending tenor and that there would be no gap, as per the Reserve Bank of India (RBI) guidelines, which mandates for a minimum CAR of 15% out of which Tier I CAR should be 10%.

Accordingly, it has now been proposed to issue and allot 1,13,20,000 equity shares in one or more tranches to TVSM, subject to such terms and conditions as may be decided by the board.

## **Pricing**

The Company has obtained a valuation report from M/s. Guru & Ram LLP, Chartered Accountants, Chennai determining the premium of shares at Rs. 96/- per share as required under Section 62 read with Section 42 and Rule 13 of the Companies (Share Capital and Debentures) Rules 2014. A copy of the report will be available for inspection by the members, free of cost, at the Registered Office of the Company, during normal business hours on any working day.

## **Relevant date**

Relevant date for determination of applicable price to preferential issue of equity shares is 31st March, 2018.

The price has been arrived at as on the date of the latest audited annual accounts for the year ended 31st March 2018, approved by the board at its meeting held on 30th April, 2018.

## **Class of persons to whom the allotment is proposed to be made**

The Company proposes to issue further equity shares to TVS Motor Company Limited.

# NOTICE TO THE SHAREHOLDERS

## Intention of the Promoters / Directors / Key Management Persons to subscribe to the Offer

The holding company viz., TVS Motor Services Limited and no director or key managerial personnel intends to subscribe to the proposed offer.

## Shareholding Pattern of the Company before and after the proposed issue of equity shares:

Sr. No.	Category	Pre Issue		Post Issue	
		No. of shares held	% of share holding	No. of shares held	% of share holding
<b>A</b>	<b>Promoters' holding :</b>				
1	Indian :				
	Individual	-	-	-	-
	Bodies Corporate	14,17,51,353	84.94	15,30,71,353	85.90
	Sub Total	14,17,51,353	84.94	15,30,71,353	85.90
2	Foreign Promoters	-	-	-	-
	<b>Sub Total (A)</b>	<b>14,17,51,353</b>	<b>84.94</b>	<b>15,30,71,353</b>	<b>85.90</b>
<b>B</b>	<b>Non-Promoters' holding :</b>				
1	Institutional Investors	-	-	-	-
2	Non-Institution :				
	Private Corporate Bodies	66,16,800	3.96	66,16,800	3.71
	Public Corporate Bodies	1,85,17,547	11.10	1,85,17,547	10.39
	Directors and Relatives	-	-	-	-
	Indian Public	-	-	-	-
	Others (Including NRIs)	-	-	-	-
	<b>Sub Total (B)</b>	<b>2,51,34,347</b>	<b>15.06</b>	<b>2,51,34,347</b>	<b>14.10</b>
	<b>GRAND TOTAL</b>	<b>16,68,85,700</b>	<b>100.00</b>	<b>17,82,05,700</b>	<b>100.00</b>

## Proposed Time within which allotment will be completed

The Company will complete the issue and allotment of shares, within a period of 12 months, from the date of passing of the special resolution, by the shareholders of the Company.

Subject to the above period, the allotment of shares will be completed within a period of sixty days from the date of receipt of application money.

## Change in control

There will be no change in the control of the Company.

# NOTICE TO THE SHAREHOLDERS

## Details of preferential allotment made during the year

During FY 2017-18, the Company has offered, issued and allotted securities on a preferential basis. Following are the details:

Name of the allottee	Date of allotment	Kind of shares issued	No. of shares allotted	Face value of the shares allotted	Premium amount (If any)	Amount received (in Rs.)
TVS Motor Company Limited	16th June 2017	Equity Shares	66,66,600	Rs.10/-	Rs.65/-	49,99,95,000/-
	26th February 2018	Equity Shares	32,05,000	Rs.10/-	Rs.68/-	24,99,90,000/-

## Explanation

In terms of Section 62 of the Companies Act, 2013, issue of equity shares on a preferential basis would require the approval of the shareholders in a general meeting by way of a special resolution.

The equity shares proposed to be issued shall rank pari passu with the existing equity shares of the Company and shall rank at par for the dividends that may be declared, if any, after allotment. The Equity Shares shall be subject to the memorandum and articles of association of the Company.

None of the Directors or Key Managerial Personnel of the Company or their relatives, is concerned or interested, financially or otherwise, in the resolution set out at Item No.5 of the Notice.

## Inspection of documents

Copy of the documents referred to in this Explanatory statement will be available for inspection by the members, free of cost, at the Registered Office of the Company, during normal business hours on any working day.

BY ORDER OF THE BOARD  
For TVS Credit Services Limited

Place : Chennai  
Date : 30th April, 2018

K Sridhar  
Company Secretary

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have pleasure in presenting the Tenth Annual Report on the business and operations of the Company together with the audited financial statements for the year ended 31st March, 2018

## 1. BUSINESS AND FINANCIAL PERFORMANCE

The highlights of the financial performance of the Company are given below:

Particulars	Year ended	
	31-03-2018	31-03-2017
	(Rs. in Cr)	
Revenue from Operations	1,332.52	1,110.77
Other Income	7.91	4.02
<b>Total</b>	<b>1,340.43</b>	<b>1,114.79</b>
Finance Costs	406.36	346.75
Business Origination, Employee benefit, Administrative & Other Operating Expenses	606.75	535.86
Depreciation and amortisation expenses	9.98	8.71
Provision and loan losses	147.46	87.91
<b>Total</b>	<b>1,170.55</b>	<b>979.23</b>
<b>Profit / (Loss) before tax</b>	<b>169.88</b>	<b>135.56</b>
Less: Tax expense		
- Current Tax	71.68	55.16
- Deferred Tax	-15.82	-7.12
<b>Profit / (Loss) after tax</b>	<b>114.02</b>	<b>87.52</b>
Balance brought forward from previous year	173.55	86.03
<b>Surplus / (Deficit) carried to Balance Sheet</b>	<b>287.57</b>	<b>173.55</b>

The Company's overall disbursements registered a growth of 22% at Rs. 4,899 Cr as compared to Rs. 4,007 Cr in the previous year.

During the year under review, the assets under management stood at Rs. 6,152 Cr as against Rs. 5,002 Cr during the previous year registering a growth of 23%. Total income during the FY 2018 increased to Rs. 1,340.43 Cr from Rs. 1,114.79 Cr during the FY 2017, an increase of 20.2% over the previous year. The profit before tax for the year has also improved and stood at Rs.169.88 Cr as against Rs. 135.56 Cr during the previous year with a growth rate of 25.3%.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Company continues to invest in analytics backed by niche technology to create differentiated value propositions for the customers, enhance productivity and maintain healthy portfolio quality. The asset quality of the Company continues to remain healthy. The ratio of net non-performing assets to advances as on 31st March, 2018 stood at 2.09% as against 1.69% last year as per RBI provisioning norms. The specific loan loss provisions that the Company has made for its non-performing assets continue to be more conservative than those prescribed by the regulator. The Company carries Rs. 59 Cr accelerated provision in excess of Reserve Bank of India norms. As a result, as per Company provisioning norms, ratio of net non-performing assets to advances as on 31st March, 2018 stood at 1.15% as against 1.10% last year.

## KEY INITIATIVES DURING THE FINANCIAL YEAR

The key initiatives of the Company during the year are given below:-

### 1. Sales

In line with Company's long-term vision of being preferred financier with diversified and profitable portfolio, the Company added Consumer Durable & Used Commercial Vehicle Finance portfolios during the year. Accordingly, the Company has financed more than 14,000 customers with a disbursement value of Rs. 32 Cr in Consumer Durable finance. The Company also started the pilot in the used commercial vehicle finance. In Used Car Finance, the Company has reduced dealer dependent model by venturing into direct sourcing model through self and digital programme. Besides, the Company launched Valued Partner Program (VPP) to enhance engagement of channel partners by developing and executing a holistic engagement and communication programme. In the Used tractor segment, alternate channels through referral agents were scaled up for demand generation.

### 2. Credit

In the two-wheeler segment, E-KYC and Customer risk based processing model implemented. E-KYC enabled assisted model for on-boarding customers implemented in used car business. In-house blue book credit evaluation model has been developed for Tractor financing. In Consumer Durable Credit policy, process for seamless digital decision and on-boarding of dealers completed.

### 3. Collections

The Company has used statistical tools to improve predictability in resolutions of delinquent customers and residual management. Data analytics are being used for allocation of collectibles to the field resulting in cost optimisation and improved productivity. The Company has given alternate payment methods to encourage customers to make cashless payment through payment gateways and other digital platforms.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## 4. Operations

The Company simplified the banking process by implementing common mandates across banks. The Company was able to update collections from customer instantly through systems. The Company has developed PDD management systems to improve productivity on PDD updations. The Company also became the first NBFC Company to launch E-NACH for consumer durable product and plans to roll out the same across all products in FY 2018-19.

## 5. Marketing

The Company launched a customer mobile application, "TVS Credit Saathi". The application enables customers to pay their EMIs, request statements of accounts, apply for loan, and avail of other benefits. A new and improved version of this application was launched in March 2018 with a superior user experience and host of powerful new features, bringing customers closer to the Company. The Company created a Net Promoter Score system to gauge customer loyalty and its enhancements.

## 6. Quality

In the journey towards excellence, the Company continues to focus on quality. The Company carries out periodic assessment of gaps and takes immediate actions to address such identified gaps which have resulted in strengthening the process across the Company. The Company obtained ISO Quality ISO 9001/2008 and ISMS 27001/2013 certification in FY 2017 for all processing hubs and central operations.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Economic Outlook

Global economic growth was stronger than expected on the backdrop of good recovery in investment, manufacturing and trade. Global economic activity gained momentum in FY 2017-18 across Advanced Economies (AEs) and Emerging Market Economies (EMEs) led by robust private consumption and lower unemployment rates. Global financial markets have primarily remained buoyant during the year, reflecting the improving economic outlook and the gradual normalisation of monetary policy by the US Fed.

India's real gross domestic product (GDP) is expected to grow at 6.6% in FY 2017-18 as against 7.1% in FY 2016-17. The agriculture sector grew at 3.0% (Gross Value Added) in FY 2017-18 as against 6.3% in the previous year. The services sector grew at 8.3% (Gross Value Added) in FY 2017-18 as against 7.2% in FY 2016-17.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Retail inflation measured by the headline Consumer Price Index (CPI) is expected to increase to 4.3% in FY 2017-18 from 3.8% in FY 2016-17. In the first quarter of the year, the headline inflation had fallen mainly on account of softening in food prices and normal monsoon. With inflation under control, RBI reduced the repo rate by 25 basis points in August 2017. Current Account Deficit (CAD) is expected to touch 2.0% of GDP for the FY 2017-18 primarily on account of a higher trade deficit brought about by a larger increase in merchandise imports relative to exports.

Growth – inflation dynamics are turning favourable in the last quarter of FY 2018. RBI's own assessment of GDP is at 7.4% for FY 2019 vs. 6.6% for FY 2018. Better still, the inflation (CPI) forecast for FY 2018-19 is estimated at 4.7% - 5.1% in H1 and 4.4% in H2. CAD is expected to widen in FY 2018-19 on firm oil prices. Considering the inflation targets to be higher than the RBI's mid-term target of 4.0%, hardening of rates are expected in the H2 of FY 2019.

The focus of the Union Budget 2018 on the rural and infrastructure sectors is a positive development as it would support rural incomes and investment, and in turn provide a further push to aggregate demand and economic activities.

## Industry Developments

### 1. Non-Banking Finance Companies (NBFCs)

NBFCs in India have managed to witness robust credit growth in the past few years due to: a) Flexible technology driven business operations to cater to retail clients individually at the fastest turnaround time; b) Cost-efficient business model; c) Last-mile connectivity with individual retail customer which enabled them to understand precise customer needs; and d) Lower ticket size disbursements along with better underwriting practices ensured limited risk of defaults.

In FY 2018, NBFCs has been stable after structural changes along with culmination of a period of regulatory transition. NBFCs expected to grow at 18% CAGR till 2020 and its share in system credit to rise to 19% from 13% in 2013. Vehicle Finance growth expected to be around 15% CAGR by 2020. Cars and Utility Vehicles segment to drive Vehicle Finance Growth.

### 2. Two-wheeler industry

The domestic two-wheeler market have crossed the 20-million-unit milestone, with sales growing 15% on Y-o-Y basis, supported by strong demand in the rural areas and good rains last monsoon. Despite the early setbacks of BS-IV implementation, two-wheeler witnessed growth. Scooters grew at 20% (from 56 lakh units to 67 lakh units) and the category share increased to 33% due to changing consumer preferences and leading urban demand. The motorcycle category grew at 14% (12 Mn units). Mopeds have de-grown by 4% in FY 2017-18. The growth outlook for FY 2019 largely depends on monsoon with Industry likely to grow between 7% and 10% in FY 2019. Higher rural investment and increasing MSP will boost rural income which will support growth of

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## 3. Car industry

Passenger vehicle market have grown by 8% Y-o-Y basis and crossed 3.2 million units in FY 2018. Changing customer preference has prompted players to focus more on Utility Vehicles which registered a growth of 21% on Y-o-Y basis in FY 2018. The growth of passenger car sales remained flat at 3.3% on Y-o-Y basis. In FY 2019, growth of passenger vehicle is likely to be same at approx. 7-9% on Y-o-Y basis. India's used car market has had a relative stable growth. It will continue to grow at ~15% Y-o-Y till FY 2020 on account of increasing disposable income and growing inclination of consumer towards pre-owned cars. The small car segment in Indian used car market is forecast to grow at a CAGR of ~10% (in value terms) during 2017-2022.

## 4. Tractor industry

Tractor sales have shown positive signs of recovery due to revival in rural demand and another year of strong farm sector growth. Tractor industry is expected to grow at 12-13% in FY 2018 with positive growth momentum spilling over next year. It is set to cross 6.5 Lakh units this year with highest ever sales of 1 lakh units in Sep '17. The growth would moderate in FY 2019 and is expected to be around 9-10%. Union budget in FY 2018 clearly focussed on enhancement of infrastructure development and upliftment of agriculture sector and improvement of farming community. Farm loan waivers by some state government would also be a relief for farmers. Demand of tractors from non-agricultural sectors in construction and infrastructure is likely to grow. About 20% of the tractors are used for non-agriculture use.

## 5. Consumer durable industry

Consumer durables/light electrical market in India reached Rs. 1 trillion (USD 15.45 billion) in FY 2017. The industry is expected to grow at 13% CAGR and reach Rs. 3 trillion (USD 46.54 billion) by FY 2020. Today, Urban markets account for the major share (65%) of total revenues in the consumer durables sector in India. There is a lot of scope for growth from rural markets with consumption expected to grow in these areas as penetration of brands increases. Also demand for durables like refrigerators as well as consumer electronic goods are likely to witness growing demand in the coming years in the rural markets as the government plans to invest significantly in rural electrification.

Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the consumer market. The Government of India's policies and regulatory frameworks such as relaxation of license rules and approval of 51% foreign direct investment (FDI) in multi-brand and 100% in single-brand retail are some of the major growth drivers for the consumer markets.



# DIRECTORS' REPORT TO THE SHAREHOLDERS

## 6. Used Commercial vehicle industry

Commercial vehicle industry witnessed a double digit growth after a gap of 3 years across all categories i.e. MHCV, ICV, SCV and Passenger.

M&HCV segment is likely to continue the growth in FY 2019 aided by strong demand, higher budgetary allocation towards infrastructure, good monsoon and potential implementation of vehicle scrappage policy. This would also trigger huge demand for Used Commercial vehicle as the scrapped model vehicle would get replaced with older model vehicles.

Since Bharat BS-VI emission norms planned to be implemented in 2020, price of new vehicle is expected to increase by 8-10%. This would also directly propel the growth of Used commercial vehicle sales. First time buyers would prefer to take Used Commercial vehicle for better viability and to absorb the shocks in the economic downturn. Used vehicle finance is currently pegged at 1.50 lakh crores and organised financier market size is expected to grow from 52% to 55% in the next 2 years.

## NEW REGULATORY FRAMEWORK

Reserve Bank of India has issued following important guidelines to NBFCs during the year:

- Directions on Information Technology Framework: The guidelines focussed on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing which are to be benchmarked to best practices. Directions require all NBFCs to carry out gap analysis and identify and complete required actions;
- Directions for Peer-to-Peer Lending Platform;
- Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs: Guideline insists that the outsourced activities are to be brought within regulatory purview, a) to protect the interest of the customers of NBFCs, b) to ensure that the NBFC concerned and the Reserve Bank of India have access to all relevant books, records and information available with service provider, c) to ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities, d) to ensure that the service provider employs the same high standard of care in performing the services as is expected to be employed by the Company, if the activities were conducted within the Company and not outsourced and, e) Not to engage in outsourcing that would result in their internal control, business conduct or reputation being compromised or weakened;
- Submission of Financial Information to Information Utilities: A Company as a financial creditor shall submit financial information and information relating to assets in relation to which any security interest has been created, to an information utility registered under the IBBI (IUs) Regulations, 2017; and
- Ombudsman Scheme for Non-Banking Financial Companies, 2018: Appointment of the Nodal Officer/Principal Nodal Officer.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## OPPORTUNITIES

Even though NBFCs have been diversifying into various lending segments – niche presence in few specific segments has remained a key success mantra for most NBFCs. With increasing presence across geographies, relatively faster turnaround time and adaption of new technology platforms, there is wider scope for NBFCs to improve their retail finance penetrations. Cross-selling of existing products, mining of existing customers and generating fee-based income have also been the emerging opportunities.

Emerging technology driven business models provides good opportunity to transform the lending and underwriting landscape by improving productivity, lowering cost, expansion of target market segment and geographical reach.

## THREATS

Growth may end up lower than 7.4% in FY 2019, due to some moderation in consumption and continued weakness in external demand. Similarly, an inflation estimate of 4.5% (excluding HRA impact), leaves little room for downside surprises. RBI itself lists down a number of variables, which could adversely impact inflation projections - including higher Minimum Support Price (MSP) for kharif crops, fiscal slippages and volatile crude prices.

Spreads will be under pressure from higher borrowing Cost and intensifying Competition. GST led formalisation of the economy and the Government's transparency push could have structural implications in the medium-to-long term, especially in asset classes where the informal method of income assessment has been the primary competitive advantage. As the transition to the formalisation gains momentum, many NBFC borrowers may turn creditworthy for banks.

## INFRASTRUCTURE & INFORMATION TECHNOLOGY

The Company is present in 22 States and Union Territories with 110 offices covering more than 3,000 locations. In the drive to digitise its service offerings and process flows, the Company uses web based platforms, mobile applications and tablets for loan processing and collections. The Company is investing in big data analytics which helps in faster primary decision-making at the time of customer underwriting and life cycle management thereafter.

The Company implemented the following technology initiatives through robust IT network systems and point of sale solutions:

1. Launched seamless integration system from data entry to disbursement without manual intervention for consumer durable finance with new technologies to ensure paperless transactions such as e-sign, e-mandate, total KYC, multi bureau and credit score based on mobile data;
2. Implemented customer field force tracking (geography tag of customer location) to optimise collection process thereby improve collector productivity;



## INFINITE ACHIEVEMENT

### CAN WE REMOVE EVERY LIMIT THAT PREVENTS US FROM DOING OUR BEST?

With **7.3 lakh new loans disbursed in FY 2017-18**, we've given even more of our customers the freedom to dream big, and the means to turn these big dreams into reality. Across rural and urban India, up and down the socio-economic ladder, stories of big success have been written. And we're proud to have been a small part of each story.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

3. Integrated and provided Aadhaar-based repayment option to customer through biometric (cashless);
4. Integrated with mobile-based payment partners where customers can pay their EMIs in nearest outlet of the partner. This reduces the overall cost of collection; and
5. Implemented CCE (Credit Collection Executive) mobile application for approval which is integrating with credit bureau, verification process and e-KYC for rural business.

The Company will continue to focus on data privacy and information security. With growth in business and geographical expansion, the Company is investing in strengthening its internal financial control framework and statistical fraud control systems.

### HUMAN RESOURCES

The Company has developed a robust human resource management framework to maximise employee performance. People remain the most valuable assets of the Company. The Company is professionally managed with senior management team having rich experience and long tenure with the Company. At the macro level, the Company has undertaken many initiatives to develop organisational leadership and culture. The Company has also launched continuous employee recognition and training programmes to develop a talented workforce to meet day-to-day business challenges. The cornerstone of our people strategy is to ensure that talent development, internal mobility, promotion, rewards and performance work in a well synchronised manner to reinforce our values - Nurturing, Innovation and Empowerment. The following accolades have been received during the year:

1. "Innovation in L & D" by Indian HR Convention & HDM Awards;
2. "Employee Engagement Strategy" by Indian HR Convention & HDM Awards;
3. "Best IJP Practice" by Indian HR Convention & HDM Awards;
4. "Most Effective Employee Engagement Strategy" by World HRD Congress;
5. "Adopting innovative strategies for HR Management and Skill Development" towards excellence (Employee Engagement) by EEE (Energy and Environment Foundation), World Petro Coal Congress.

The Company also launched "Think, Evaluate, Discuss, Do and Inform" (TEDDI) to build innovation as a culture in the Company.

The Company duly complied with all the statutory compliances related to employment and labour laws. As on 31st March, 2018, the Company had 10,393 employees on its rolls.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## CAUTIONARY STATEMENT

Statements in the above report describing the Company's objectives, projections, estimates and expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates, changes in the government regulations, tax laws and other statutes and incidental factors.

## 3. DIVIDEND

The directors, in order to conserve the resources for its future expansion, have not proposed any dividend for the year under review.

## 4. PUBLIC DEPOSITS

The Company has not accepted any deposit from the shareholders and others within the meaning of Chapter V of the Act 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the year ended 31st March, 2018.

The Company shall not raise public deposits without prior written approval of the RBI, as per the conditions attached to the Certificate of Registration issued by RBI.

## 5. SHARE CAPITAL

During the year under review, the board of directors issued and allotted 66,66,600 equity shares of Rs.10/- each at a premium of Rs. 65/- per share aggregating to Rs. 50 Cr and 32,05,000 equity shares of Rs. 10/- each at a premium of Rs. 68/- per share aggregating to Rs. 25 Cr to TVS Motor Company Limited, in terms of Sections 42 and 62 of the Act 2013 read with the Rules made thereunder, on a preferential basis.

The paid-up capital of the Company accordingly stood increased from Rs. 157.01 Cr (15,70,14,100 equity shares of Rs.10/- each) to Rs.166.88 Cr (16,68,85,700 equity shares of Rs.10/- each) as on 31st March, 2018.

During FY 2017-18, TVS Motor Company Limited transferred 21,80,250 and 1,13,37,297 no. of equity shares to Sundaram-Clayton Limited (Holding Company) and Lucas-TVS Limited (Fellow subsidiary) respectively.

The Company became a subsidiary of TVS Motor Company Limited effective 7th September, 2017 consequent to acquisition of entire shares of the holding company viz., TVS Motor Services Limited.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## 6. FUNDING

With equity infusion of Rs. 75.00 Cr in FY 2017-18, participation from NBFCs, banks and financial institutions in the form of Tier 1 (Perpetual Debt Instrument) and Tier 2 Capital (Subordinated Debt), the Company has an adequate Capital Adequacy Ratio (CAR). The CAR as on 31st March, 2018 stood at 18.50%.

The Company rating has been upgraded to AA- by CRISIL for long-term loans and A1+ by CRISIL and ICRA for its short-term debt program.

The Company has taken various initiatives to reduce its cost of borrowings to the extent of 50 bps and accordingly diversified its funding mix with borrowings from Public sector banks, Private sector banks, Financial Institutions and Mutual funds. During the year, the Company borrowed Rs. 2,085 Cr (including long & short-term borrowings). No interest or principal repayment of the term loans was due and unpaid as on 31st March, 2018. The assets of the Company which are available by way of security are sufficient to discharge the claims of the banks as and when they become due.

During the year, the Company has securitised its AAA rated tractor portfolio to the extent of Rs. 74.72 Cr (principal outstanding). The Company has adhered to the revised guidelines on Securitisation and Direct assignment transactions issued by RBI in August 2012.

During the year, the Company also raised Rs. 100 Cr in the form of Subordinated debt, on private placement basis to augment Tier II capital of the Company. The Subordinated debt is rated AA- by CRISIL and has a maturity period of 5 years and 6 months.

During the year, the Company also raised Rs. 100 Cr in the form of Unlisted, Unsecured, Subordinated, Taxable, and Perpetual Debt Instrument in the nature of Non-Convertible Debentures to augment both Tier I and Tier II capital of the Company.

With the diversification of business into consumer durable, used commercial vehicles and other segments, the funding programme is managed effectively to meet the business requirements at competitive rates.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## 7. SUBSIDIARY COMPANIES

During the year, the Company has incorporated the following subsidiaries:

### Subsidiaries

S. No.	Name of the Companies	Period of Accounts
1.	TVS Two Wheeler Mall Private Limited	22.08.2017 to 31.03.2018
2.	TVS Micro Finance Private Limited	23.08.2017 to 31.03.2018
3.	Harita ARC Private Limited	25.08.2017 to 31.03.2018
4.	Harita Collection Services Private Ltd	
5.	TVS Commodity Financial Solutions Pvt Ltd	30.08.2017 to 31.03.2018
6.	TVS Housing Finance Private Limited	08.09.2017 to 31.03.2018

All the subsidiary companies are yet to commence their operations.

During FY 2017-18, the Company has invested a sum of Rs. 12 Cr in TVS Housing Finance Private Limited to meet the net owned funds as per requirements under the National Housing Bank Act, 1987.

As per Section 129 of the Companies Act, 2013 read with the Companies (Accounts) Amendment Rules, 2014, an intermediate subsidiary was exempted to prepare consolidated financial statements, subject to the consent of the members of the Company for not presenting consolidated financial statements and its intermediate holding company viz., TVS Motor Company Limited files consolidated financial statements with the Registrar. Hence, the Company has availed the exemption and not presented the consolidated financial statements.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 134(5) of the Act, 2013 with respect to Director's Responsibility Statement, it is hereby stated that:

- in the preparation of the annual accounts for the year ended 31st March, 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgement and estimates that were 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 of the Company for that period;
- the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

# DIRECTORS' REPORT TO THE SHAREHOLDERS

- (d) the directors had prepared the accounts for the financial year ended 31st March, 2018 on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 9. DIRECTORS & KEY MANAGERIAL PERSONNEL

### DECLARATION OF INDEPENDENCE

All the existing IDs have declared that they meet all the criteria of independence as provided under Section 149(6) of the Act 2013. The detailed terms of appointment of IDs is disclosed on the Company's website in the following link <https://www.tvscredit.com/>

### DECLARATION AND UNDERTAKING

During the year, as per the directions of RBI on 'Non-banking financial companies – Corporate Governance (Reserve Bank) Directions, 2015, the board obtained necessary annual 'declarations of undertaking' from the directors, in the format prescribed by RBI.

### SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year under review, a separate meeting of IDs was held on 26th February, 2018. All IDs were present and they were enlightened about the objectives and process involved in evaluating the performance of board, Non-IDs, Chairman and timeliness of flow of information from management.

A set of questionnaires along with the list of activities undertaken by the Company were also provided to them for facilitating them to carry out their review /evaluation.

### NON-INDEPENDENT DIRECTORS (NON-IDs)

IDs were accomplished with the criteria and methodology and inputs for evaluation of Non-IDs namely, M/s. Venu Srinivasan, Sudarshan Venu, T K Balaji, Anupam Thareja and K N Radhakrishnan, directors.

IDs evaluated the performance of all Non-IDs individually, through a set of questionnaires, reviewing their attributes towards overall level of contribution to the Company's growth.

IDs were completely satisfied with the versatile performance of all Non-IDs.

### CHAIRMAN

IDs reviewed the performance of Chairman of the Board after considering his performance and benchmarked the achievement of the Company with industry under his stewardship as Chairman.



# DIRECTORS' REPORT TO THE SHAREHOLDERS

## BOARD

IDs have evaluated board's composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision-making, follow-up action, so as to improve governance and enhance personal effectiveness of directors.

The board upon evaluation concluded that it is well balanced in terms of diversity of experience and had an expert in each domain viz., Finance, Marketing and Administration. The Company endeavours to have a diverse board representing a range of experience at policy-making levels in business and technology.

The IDs unanimously evaluated the prerequisites of the board viz., formulation of strategy, acquisition & allocation of overall resources, setting policies, directors' selection and cohesiveness on key issues and satisfied themselves that they were adequate.

## QUALITY, QUANTITY AND TIMELINESS OF FLOW OF INFORMATION BETWEEN THE COMPANY, MANAGEMENT AND THE BOARD

All IDs have expressed their overall satisfaction with the support received from the management and the excellent work done by the management during the last year.

The IDs appreciated the management for their hard work and commitment to meet the corporate goals and also expressed that the relationship between the top management and board is smooth and seamless.

## DIRECTORS LIABLE TO RETIRE BY ROTATION

In terms of Section 152 of the Act 2013, two-third of the total number of directors i.e., excluding IDs, are liable to retire by rotation and out of which, one-third is liable to retire by rotation at every annual general meeting.

Mr T K Balaji and Mr K N Radhakrishnan, non-executive and non-independent directors, who are liable to retire at the ensuing AGM and being eligible, offers themselves for re-appointment.

The Nomination and remuneration committee of directors at their meeting held on 30th April, 2018 recommended the re-appointment of Mr T K Balaji and Mr K N Radhakrishnan as directors of the Company.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL

In accordance with Section 178 of the Act 2013, the Nomination and Remuneration Committee has formulated a Nomination & Remuneration Policy (NRC Policy) to ensure that executive directors and other employees are sufficiently compensated for their performance. The Policy seeks to provide criteria for determining qualifications, positive attributes and independence of a director.

### NOMINATION AND REMUNERATION POLICY

#### Directors:

NRC will recommend the remuneration for executive and non-executive directors. This will be then approved by the board and shareholders. The non-executive independent directors are appointed to the board of the Company in terms of regulatory requirements.

The board has approved the payment of remuneration by way of profit related commission to the non-executive Independent directors, for FY 2017-18, based on the recommendation of the Nomination and Remuneration Committee. The approval of the shareholders by way of an ordinary resolution was obtained at the seventh annual general meeting held on 29th July, 2015, in terms of Sections 197 and 198 and any other applicable provisions of the Act 2013.

#### Commission:

The Company benefits from the expertise, advise and inputs provided by the IDs. The IDs devote their valuable time in deliberating on strategic and critical issues in the course of the board / committee meetings of the Company and give their valuable advice, suggestions and guidance to the management of the Company, from time to time and hence IDs are being paid by way of commission.

As approved by the shareholders at the annual general meeting of the Company held on 29th July, 2015, Non-executive and Independent Directors are being paid commission, subject to a maximum, as determined by the board, for each such director from the financial year 1st April, 2015.

A commission of Rs. 12 lakhs per annum is payable to each such IDs, who serve as members of the audit committee as well and Rs. 9 lakhs per annum to other IDs. The amount of commission for every financial year will be decided by the board, as approved by the shareholders at the AGM held on 29th July, 2015, subject to the limit of 1% in the aggregate of net profits of the Company, as calculated pursuant to Section 198 of the Act 2013.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## Key Managerial Personnel:

The remuneration of employees largely consists of basic salary, perquisites, allowances and performance incentives. Perquisites and retirement benefits are paid according to the Company's policy, subject to prescribed statutory ceiling.

The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience / merits and performance of each employee. The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package of the industry.

The annual variable pay of senior executives is linked to the performance of the Company in general and their individual performance for the relevant year measured against Company's objectives fixed in the beginning of the year.

## CRITERIA FOR BOARD MEMBERSHIP

### Directors:

The Company will generally consider (i) their relevant experience in Finance / Law / Management / Sales / Marketing / Administration / Research / Corporate Governance or other disciplines related to Company's business, (ii) having the highest personal and professional ethics, integrity and values, and (iii) their willingness to devote sufficient time and energy in carrying out their duties and responsibilities.

### Independent Directors:

Independent Director is a director who has no direct or indirect pecuniary relationship with the Company and or any of its officers. They should meet all criteria specified in Section 149(7) of the Act 2013 and rules made thereunder.

## KEY MANAGERIAL PERSONNEL (KMP)

Mr G Venkatraman, Chief Executive Officer, Mr V Gopalakrishnan, Chief Financial Officer and Mr K Sridhar Company Secretary are the Key Managerial Personnel of the Company as on the date of this Report.

Hence, the Company is fully compliant with the provisions of Section 203 of the Act 2013.

## CORPORATE GOVERNANCE

### Board Meetings:

During the year under review, the board met four times on 16th June, 2017, 22nd September, 2017, 4th January, 2018 and 26th February, 2018 and the gap between two meetings did not exceed one hundred and twenty days.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board Committees play a crucial role in the governance structure of the Company have been constituted to deal with specific areas / activities in accordance with the requirements of the applicable provisions of the Act 2013 / Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions 2015.

The Board has currently established the following committees:

## **Audit Committee:**

In terms of Section 177 of the Act 2013, the Audit Committee is required to consist of minimum of three members, with majority of independent directors.

All members of the Audit Committee possess requisite qualification and have sound knowledge of finance, accounts, etc.

The following directors are the members of Audit Committee of the Company as on the date of this Report:

1. Mr S Santhanakrishnan, chairman
2. Mr R Ramakrishnan, independent director
3. Mr V Srinivasa Rangan, independent director
4. Mr K N Radhakrishnan, non-executive non-independent director

## **Nomination and Remuneration Committee:**

In terms of Section 178 of the Act 2013, the Nomination and Remuneration Committee is required to consist minimum of three members, of which not less than one-half shall be independent directors.

The following are the members of Nomination and Remuneration Committee of the Company as on the date of this Report:

1. Mr R Ramakrishnan, chairman
2. Mr V Srinivasa Rangan, independent director
3. Mr K N Radhakrishnan, non-executive non-independent director

## **Remuneration criteria to Directors:**

The non-executive / independent director(s) receive remuneration by way of fees for attending meetings of board or any committee in which director(s) is member.

In addition to the sitting fees, the non-executive independent director(s) shall be entitled to commission from the Company subject to the monetary limit approved by shareholders of the Company and aggregate commission amount would not exceed the limit as prescribed under the provisions of the Act 2013.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## **Corporate Social Responsibility Committee (CSR):**

The following directors are the members of CSR committee of the Company as on the date of this report:

1. Mr Venu Srinivasan, chairman
2. Mr R Ramakrishnan, independent director
3. Mr K N Radhakrishnan, non-executive non-independent director

Based on the recommendation of the CSR Committee, the board has approved the projects / programmes to be carried out as CSR activities by Srinivasan Services Trust (SST) by undertaking these programmes / projects, in compliance with the CSR policy of the Company and contributed Rs. 175 lakhs constituting 2% of average net profits, for the immediate past three financial years, towards CSR spending for the current FY 2017-2018.

SST, over 20 years of service, has played a pivotal role in changing lives of people in many villages in rural India by creating self-reliant communities that are models of sustainable development.

The Company is eligible to spend on their ongoing projects / programmes, falling within the CSR activities specified under the Act 2013, as mandated by the MCA for carrying out its CSR activities.

As required under Section 135 of the Act 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the annual report on CSR containing the particulars of the projects / programmes approved and recommended by CSR Committee and approved by the board are given by way of Annexure III attached to this Report.

## **Asset Liability Management Committee (ALCO):**

The Company constituted an Asset Liability Management Committee (ALCO), in terms of Guidelines issued by RBI to NBFCs for effective risk management in its portfolios.

The following directors are the members of ALCO committee of the Company as on the date of this report:

1. Mr R Ramakrishnan, chairman
2. Mr Sudarshan Venu, non-executive non-independent director
3. Mr Anupam Thareja, non-executive non-independent director
4. Mr S Santhanakrishnan, independent director

## **Risk Management Committee:**

The Company being in the business of financing of two-wheelers, cars and tractors has to manage various risks. These risks include credit risk, liquidity risk, interest rate risk and operational risk.

The Company has constituted a Risk Management Committee (RMC) to review on an on-going basis the measures adopted by the Company for the identification, measurement, monitoring and mitigation of the risks involved in various areas of the Company's functioning.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Company has laid down procedures to inform board about the risk assessment and mitigation procedures, to ensure that executive management controls risk through means of a properly defined framework.

The Company has a robust asset-liability management model to ascertain and manage interest rate and liquidity risks are being discussed and reviewed periodically at meetings of RMC. This Committee meets periodically and oversee the risk management activities of the Company.

The Company continues to invest substantially in personnel, technology and infrastructure towards improved process efficiencies and mitigate business risks.

The following directors are the members of RMC of the Company as on the date of this report:

1. Mr R Ramakrishnan, chairman
2. Mr Anupam Thareja, non-executive non-independent director
3. Mr S Santhanakrishnan, independent director

## **Information Technology (IT) Strategy Committee:**

In line with the information technology / information systems directions issued by RBI vide their circular dated 8th June, 2017, in addition to IT Governance, NBFCs are required to constitute an IT strategy committee which shall consist of an independent director as chairman of the Committee and Chief Information Officer (CIO) and Chief Technology Officer (CTO) shall be part of the Committee.

As per the above requirement, the Company has constituted a Information Technology Strategy Committee with the following members:

1. Mr R Ramakrishnan, Independent Director (Chairman)
2. Mr Sudarshan Venu, director (Member)
3. Mr K N Radhakrishnan, director (Member)
4. Mr G Venkatraman, chief executive officer
5. Mr V Gopalakrishnan, chief financial officer
6. Mr C Arulanandam, Head – IT (equivalent to chief technology officer)

## **10. INTERNAL CONTROL SYSTEMS**

The Company's comprehensive and effective internal control system ensures smooth business operations, meticulously recording all transaction details and ensuring regulatory compliance and protecting the Company's assets from loss or misuse.

The Company's internal control system is designed to ensure operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with laws and regulations.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The internal control system is supported by an internal audit process for reviewing the adequacy and efficacy of the internal controls including its system and processes and compliance with regulations and procedures.

Internal audit reports are discussed with the management and are reviewed by the audit committee of the board which also reviews the adequacy and effectiveness of the internal controls. The Company's internal control system is commensurate with its size, nature and operations.

## 11. AUDITORS

### Statutory Auditors:

The Company at its sixth AGM held on 14th July, 2014 appointed M/s V Sankar Aiyar & Co., Chartered Accountants, Mumbai, having Firm Registration No. 109208W allotted by The Institute of Chartered Accountants of India, as statutory auditors of the Company to hold office for the second term of five consecutive years from the conclusion of the said AGM, subject to ratification at every AGM, at such remuneration in addition to reimbursement of all applicable taxes, out of pocket expenses, travelling and other expenses, as may be mutually agreed between the Board of Directors of the Company and the Auditors.

It is therefore proposed to re-appoint them as statutory auditors for the final year in the second term of five years, from the conclusion of this AGM, subject to ratification by the members at the AGM.

The Company has obtained necessary certificate under Section 141 of the Act, 2013 from them conveying their eligibility for being statutory auditors of the Company for FY 2018-19.

The Auditors' Report for FY 2017-18 does not contain any qualifications, reservations and adverse remarks and the same is attached with the annual financial statements.

### Secretarial Auditor:

Mr T N Sridharan, Practicing Company Secretary, Chennai, was appointed as Secretarial Auditor for carrying out the secretarial audit for FY 2017-18.

As required under Section 204 of the Act, 2013, the Secretarial Audit Report for FY 2017-18, given by him is attached to this report. The Secretarial Audit Report does not contain any qualifications, reservations or other remarks.

The Board at its meeting held on 30th April, 2018 has re-appointed Mr T N Sridharan, Practicing Company Secretary as Secretarial Auditor for FY 2018-19.



## INFINITE INTEGRITY

### CAN WE MAKE THE WHOLE WORLD LOOK UP TO US, AND THEN AIM STILL HIGHER?

We're driven by values, and make no exceptions when it comes to honesty and transparency. Our growing family of **10,393 people** live by these uncompromising standards right from day one. So that our customers never need to think twice before putting their trust in us. No wonder then, repeat business has become an important revenue stream.



# DIRECTORS' REPORT TO THE SHAREHOLDERS

## 12. CORPORATE GOVERNANCE

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service.

The Company constantly endeavours to improve on these aspects. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and reviewed by the board of the committees of the members of the Board.

A report on corporate governance regarding compliance with the conditions of Corporate Governance as stipulated under RBI guidelines forms part of the Report and is annexed herewith.

## 13. ADHERENCE TO RBI NORMS AND STANDARDS

The Company has fulfilled the prudential norms and standards as laid down by RBI pertaining to income recognition, provisioning of non-performing assets and capital adequacy. The capital adequacy ratio of the Company is 18.50% which is well above the prescribed minimum of 15% by RBI.

As a prudent practice, the Company's current provisioning standards are more stringent than Reserve Bank of India (RBI) prudential norms. In line with its conservative approach, the Company continues to strengthen its provisioning norms beyond the RBI regulation by accelerating the provisioning to an early stage of delinquencies based on past experience and emerging trends.

The Fair Practices Code and KYC norms framed by RBI seek to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships between customers and the finance Company and foster confidence in the housing finance system.

The Company has put in place all the Committees prescribed by RBI and have formulated a comprehensive Corporate Governance Policy. The Company has instituted a mechanism to monitor and review adherence to the Fair Practices Code, KYC norms, and Investment & Credit policies as approved by the Board of Directors.

## 14. POLICY ON VIGIL MECHANISM

The Board has adopted a Policy on Vigil Mechanism in accordance with the provisions of Companies Act, 2013, which provides a formal mechanism for all directors, employees and other stakeholders of the Company, to report to the management their genuine concerns or grievances about unethical behaviour, actual or suspected fraud and any violation of the Company's Code of Business Conduct or Ethics policy.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The policy also provides a direct access to the Chairperson of the Audit Committee to make protective disclosures to the management about grievances or violation of the Company's Code of Business Conduct and Ethics. The policy is disclosed on the Company's website in the following link <https://www.tvscredit.com/>

## STATUTORY STATEMENTS

- (i) Information on conservation of energy, technology absorption, foreign exchange etc.:
- The Company, being a non-banking finance Company, does not have any manufacturing activity and hence the reporting on "Conservation of Energy and Technology Absorption" does not arise.
- Foreign currency expenditure in FY 2017-18 is Rs. 1,473.04 lakhs (previous year Rs. 591.17 lakhs). The Company did not have any foreign exchange earnings.
- (ii) Material changes and commitments:
- There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and to the date of the report.
- (iii) Significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company:
- There are no significant and material orders passed by the regulators or courts or tribunals, which would impact the going concern status of the Company and its future operations.
- (iv) Annual Return:
- Extract of Annual Return in the prescribed form is given as Annexure I to this report, in terms of the requirements of Section 134(3)(a) of the Act, 2013 read with the Companies (Accounts) Rules, 2014.
- (v) Employees' remuneration:
- Details of Employees receiving the remuneration in excess of the limits prescribed under Section 197 of the Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed as a statement and given in Annexure-II. In terms of first proviso to Section 136(1) of the Act, 2013 the Annual Report, excluding the aforesaid annexure is being sent to the Shareholders of the Company. The annexure is available for inspection at the Registered Office of the Company during business hours as mentioned in the Notice of AGM and any Shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.
- (vi) Details of related party transactions:
- All contracts / arrangements entered by the Company during the period ended 31st March, 2018 with related parties were in the ordinary course of business and at arm's-length price in terms of Section 188 read with the Companies (Meetings of board and its powers) Rules, 2014.
- Pursuant to the provisions of Section 134(h) of the Companies Act 2013 (the Act 2013) read with rule 8(2) of the Companies (Accounts) Rules 2014, the particulars of contracts or

# DIRECTORS' REPORT TO THE SHAREHOLDERS

arrangements entered into by the Company with Related Parties have been done at arm's-length and are in the ordinary course of business.

Hence, no particulars are being provided in Form AOC-2. Related Party disclosures, as per the Indian Accounting Standards have been provided in Note No. 23.10 to the financial statements.

(vii) Details of loans / guarantees / investments made:

Furnishing the details of investments under Section 186 of the Act 2013 for FY 2017-2018 does not arise, since the Company has not made any investment during the year under review.

In terms of Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, NBFC Companies are excluded from the applicability of Section 186 of the Act 2013, where the loans, guarantees and securities are provided in the ordinary course of its business.

On loans granted to the employees, the Company has charged interest as per its remuneration policy, in compliance with Section 186 of the Act 2013.

(viii) Reporting of fraud:

The Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Act 2013.

(ix) Other laws:

During the year under review, there were no cases filed pursuant to the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

## 15. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding Companies, namely TVS Motor Services Limited, TVS Motor Company and other investors. The directors thank the bankers, investing institution, customers and dealers of TVS Motor Company Limited and Tractors and Farm Equipment Limited for their valuable support and assistance.

The directors wish to place on record their appreciation of the very good work done by all the employees of the Company during the year under review.

For and on behalf of the Board

Place: Chennai  
Date: 30th April, 2018

R Ramakrishnan  
Director  
DIN: 00809342

S Santhanakrishnan  
Director  
DIN: 00005069

# DIRECTORS' REPORT TO THE SHAREHOLDERS

**Annexure – I**  
**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**as on the financial year ended 31st March, 2018**

[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	:	U65920TN2008PLC069758
II)	Registration Date	:	05.11.2008
III)	Name of the Company	:	TVS Credit Services Limited
IV)	Category / Sub-category of the Company	:	Public Limited Company
V)	Address of the Registered Office and Contact Details	:	"Jayalakshmi Estates", No. 29, Haddows Road, Chennai – 600 006 Tel: 044 28272233
VI)	Whether Listed Company Yes / No	:	No
VII)	Name, Address and Contact Details of Registrar And Transfer Agent, if any	:	Sundaram-Clayton Limited "Jayalakshmi Estates", 1st Floor, 29, Haddows Road, Chennai - 600 006. Tel. : 044 - 2828 4959 Fax : 044 - 2825 7121 E-mail : raman@scl.co.in

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC code of the product / service	% to total turnover of the Company
1	Retail Financial Services	65921	99%

# DIRECTORS' REPORT TO THE SHAREHOLDERS

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

Sl. No.	Name and Address of the Company	Registered Office	CIN	Holding / Subsidiary	% of shares held	Applicable Section of the Companies Act 2013
1	TVS Motor Services Limited	"Jayalakshmi Estates", No. 29, Haddows Road, Chennai-600 006	U50404TN2009PLC071075	Holding Company	Holds 80.74% in the Company	2(46)
2	TVS Two Wheeler Mall Private Limited		U65923TN2017PTC118211	Subsidiary Company	Holds 100%	2(87)
3	TVS Micro Finance Private Limited		U65929TN2017PTC118238			
4	Harita ARC Private Limited		U65999TN2017PTC118296			
5	Harita Collection Services Private Ltd		U65100TN2017PTC118290			
6	TVS Commodity Financial Solutions Pvt Ltd		U65929TN2017PTC118316			
7	TVS Housing Finance Private Limited		U65999TN2017PTC118512			

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

### (i) Category-wise Shareholding

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1st April, 2017)				No. of Shares held at the end of the year (as on 31st March, 2018)				Change in shareholding during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>Indian</b>									
- Bodies Corp.		14,53,97,300	14,53,97,300	92.60	-	14,17,51,353	14,17,51,353	84.94	(7.66)
<b>Total Shareholding of Promoter (A)</b>		14,53,97,300	14,53,97,300	92.60	-	14,17,51,353	14,17,51,353	84.94	(7.66)
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
Financial Institutions		50,00,000	50,00,000	3.18	-	50,00,000	50,00,000	3.00	(0.18)
<b>Sub-total (B) (1)</b>		50,00,000	50,00,000	3.18	-	50,00,000	50,00,000	3.00	(0.18)
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian		66,16,800	66,16,800	4.22	-	2,01,34,347	2,01,34,347	12.06	7.84
<b>Sub-total (B) (2)</b>		66,16,800	66,16,800	4.22	-	2,01,34,347	2,01,34,347	12.06	7.84
<b>Total Public Shareholding (B) = (B) (1)+ (B) (2)</b>		1,16,16,800	1,16,16,800	7.40	-	2,51,34,347	2,51,34,347	15.06	7.66
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	15,70,14,100	15,70,14,100	100.00	-	16,68,85,700	16,68,85,700	100.00	-

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## (ii) Shareholding of Promoters

Name of the Director / KMP (M/s)	Opening Balance (% of the total share capital)	Date of Dealing / Allotment	Allotment/ Purchase or Sale	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
						No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
TVS Motor Services Limited	13,47,41,600 (92.60)	-	-	-	-	-	-	13,47,41,600	80.74
TVS Motor Company Limited	1,06,55,700	16.06.2017	Allotment	66,66,600	4.07	66,66,600	4.07	1,73,22,300	10.58
	1,73,22,300	18.12.2017	Sale	(1,35,17,547)	8.26	38,04,753	2.32	38,04,753	2.32
	38,04,753	26.02.2018	Allotment	32,05,000	1.92	70,09,753	4.20	70,09,753	4.20

## (iii) Change in Promoters' Shareholding

Name of the Director / KMP (M/s)	Opening Balance		Date of Dealing / Allotment	Allotment/ Purchase or Sale	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
	No. of shares	% of the total share capital					No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
TVS Motor Company Limited	1,06,55,700	6.79	16.06.2017	Allotment	66,66,600	4.07	1,73,22,300	4.20	70,09,753	4.20
			18.12.2017	Sale	(1,35,17,547)	8.26	38,04,753			
			26.02.2018	Allotment	32,05,000	1.92	70,09,753			

# DIRECTORS' REPORT TO THE SHAREHOLDERS

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

Opening Balance			Date of Dealing / Allotment	Allotment/ Purchase or Sale	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
Name of the Director / KMP (M/s)	No. of shares	% of the total share capital					No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
Lucas-TVS Limited	-	-	18.12.2017	Purchase	1,13,37,297	6.93	-	-	1,13,37,297	6.93
PHI Research Private Limited	-	-	18.12.2017	Purchase	21,80,250	1.33	-	-	21,80,250	1.33
Housing Development Finance Corporation Limited	50,00,000	3.89	-	-	-	-	-	-	50,00,000	3.00
PHI Research Private Limited	35,00,000	2.71	-	-	-	-	-	-	35,00,000	2.10
PHI Capital Services LLP	31,16,800	1.99	-	-	-	-	-	-	31,16,800	1.87

## (v) Shareholding of Directors and Key Managerial Personnel: NIL



# DIRECTORS' REPORT TO THE SHAREHOLDERS

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment  
(Rs. in Cr)

Particulars	Secured Loans excluding Deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	3,079.87	1,127.19	4,207.06
ii) Interest due but not paid**	9.77	0.00	9.77
iii) Interest accrued but not due	0.00	2.20	2.20
<b>Total (i + ii + iii)</b>	<b>3,089.64</b>	<b>1,129.39</b>	<b>4,219.03</b>
Change in Indebtedness during the financial year			
• Addition	2,509.98	453.91	2,963.89
• Reduction	1,492.74	349.94	1,842.68
<b>Net Change</b>	<b>1,017.24</b>	<b>103.97</b>	<b>1,121.21</b>
Indebtedness at the end of the financial year			
i) Principal Amount	4,095.34	1,227.25	5,322.59
ii) Interest due but not paid	6.71	1.93	8.64
iii) Interest accrued but not due	4.83	4.18	9.01
<b>Total (i + ii + iii)</b>	<b>4,106.88</b>	<b>1,233.36</b>	<b>5,340.24</b>

\*\* Funds are made available with banks which have been appropriated subsequently.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. REMUNERATION TO MANAGING DIRECTOR, WHOLE-TIME DIRECTOR AND/OR MANAGER: - NIL

### B. REMUNERATION TO OTHER DIRECTORS:

Sl. No.	Particulars of Remuneration	Name of Directors					Total amount (Rs. in Lakhs)
		RK	VSR	SSK	SKV		
1	Independent Directors Fee for attending Board / committee meetings	1.80	0.70	1.50	0.50		4.50
	Commission*	12.00	12.00	12.00	9.00		45.00
	Others						
	<b>Total (1)</b>	<b>13.80</b>	<b>12.70</b>	<b>13.50</b>	<b>9.50</b>		<b>49.50</b>

Sl. No.	Particulars of Remuneration	Name of Directors					Total amount (Rs. in Lakhs)
		VS	TKB	AT	SV	KNR	
2	Other Non-Executive Directors Fee for attending Board / committee meetings	0.40	0.30	0.60	0.60	1.10	3.00
	Commission	-	-	-	-	-	-
	Others, please specify						
	<b>Total (2)</b>	<b>0.40</b>	<b>0.30</b>	<b>0.60</b>	<b>0.60</b>	<b>1.10</b>	<b>3.00</b>
	<b>Total (B) = (1+2)</b>	<b>14.20</b>	<b>3.00</b>	<b>14.10</b>	<b>10.10</b>	<b>1.10</b>	<b>52.50</b>
	<b>Overall Ceiling as per the Act 2013</b>	<b>Rs. 494.79 Lakhs</b>					

RK - Mr R Ramakrishnan; VSR – Mr V Srinivasa Rangan; SSK - Mr S Santhanakrishnan; SKV – Ms Sasikala Varadachari; VS – Mr Venu Srinivasan; TKB – Mr T K Balaji; AT – Mr Anupam Thareja; SV – Mr Sudarshan Venu; KNR – Mr K N Radhakrishnan

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## C. REMUNERATION TO KMP:

(Rs. in lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CFO	Company Secretary	Total
1.	Gross salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	310.24	110.70	-	420.94
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission				
	- as % of profit	-	-	-	-
	- others	-	-	-	-
5.	Others, please specify	-	-	-	-
	<b>Total</b>	<b>310.24</b>	<b>110.70</b>	<b>-</b>	<b>420.94</b>

## VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

For and on behalf of the Board

Place: Chennai  
Date: 30th April, 2018

S Santhanakrishnan  
Director  
DIN: 00809342

R Ramakrishnan  
Director  
DIN: 00005069

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## Annexure - III

### Particulars of Corporate Social Responsibility activities carried out by the Company in terms of Section 135 of the Act 2013

1. A brief outline of the Company's CSR policy:

This policy encompasses the Company's philosophy for giving back to society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for the transformation and sustainable development of the rural communities at large.

2. Overview of projects or programmes being undertaken:

Focus areas relate to economic development, quality education, health care, conservation of environment and the creation, maintenance of infrastructure, art, culture and protection of places of public and historical importance.

3. Web-link to the CSR policy and projects or programmes - <http://www.tvscredit.com>

4. Composition of the CSR Committee.

#	Name of the Member (M/s.)	Designation	Status
1.	Venu Srinivasan	Non Independent Director	Chairman
2.	R Ramakrishnan	Independent Director	Member
3.	K N Radhakrishnan	Non Independent Director	Member

5. Average net profit of the Company for last three financial years Rs. 86.24 Cr

6. Prescribed CSR Expenditure (2% of the amount as in item 5 above) Rs. 1.75 Cr

7. Details of CSR spent during the financial year:

(a) Total amount spent for the financial year Rs. 1.75 Cr

(b) Amount unspent, if any Not Applicable

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## (D) MANNER IN WHICH THE AMOUNT SPENT DURING THE FINANCIAL YEAR IS DETAILED BELOW :

S. No.	Name of the Implementing Agency	Srinivasan Services Trust Jayalakshmi Estates, No. 29, Haddows Road, Chennai - 600 006, Tamil Nadu Phone No: 044-2827 2233 Mail ID: sst@scl.co.in
1	CSR project or activity identified as mentioned in Schedule VII to the Companies Act, 2013	(i) Eradicating hunger, poverty, promoting preventive healthcare and sanitation and making available safe drinking water; (ii) Promotion of Education, including special education and employment enhancing vocation skills especially among children, women and livelihood enhancement projects; (iii) Promoting gender equality, empowering women and measures for reducing inequalities faced by socially and economically backward groups; (iv) ensuring environment sustainability, ecological balance, animal welfare, agroforestry, conservation of natural resources and maintain quality of soil, air and water; and (v) rural development projects
2	Sector in which the Project is covered	Economic Development, Education, Environment, Health and Infrastructure
3	Areas in which Projects / Programmes undertaken:	<ul style="list-style-type: none"> <li>Hosur, Padavedu, Thirukkurungudi, Navatirupati and Javadhu Hills;</li> <li>Mysore</li> </ul>
4	Local Area / Others:	Tamil Nadu, Karnataka
	State & District:	<ul style="list-style-type: none"> <li>Tamil Nadu: Krishnagiri, Tiruvannamalai, Tirunelveli and Thoothukudi districts</li> <li>Karnataka: Mysore</li> </ul>
	Amount outlay (budget) project or programme-wise:	Rs. 1,250 lakhs

# DIRECTORS' REPORT TO THE SHAREHOLDERS

5	Amount spent on the projects or programmes:	Rs. 1,224.31 lakhs (including contribution of the Company of Rs.175 lakhs)
6	Sub-heads:	
	Direct expenses on projects / programmes:	Rs. 1,224.31 lakhs (including contribution of the Company of Rs. 175 lakhs)
	Overheads:	Nil
	Cumulative expenditure up to the reporting period:	Rs. 1,224.31 lakhs (including contribution of the Company of Rs. 175 lakhs)

8. In case the Company has failed to spend 2% 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.

9. 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.

To discharge the duties cast under provisions of the Act, members of the CSR Committee visit places where SST is doing service.

For and on behalf of the Board

Place: Chennai

Date: 30th April, 2018

R Ramakrishnan  
Member of CSR Committee

# REPORT ON CORPORATE GOVERNANCE

As a TVS Group Company, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service.

The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisites for attaining sustainable growth in this competitive corporate world. Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built.

The Company would constantly endeavour to improve on these aspects. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and reviewed by the board and the duly constituted committees of the Board.

A summary of the corporate governance measures adopted by the Company is given below:

- i) The Board of Directors along with its Committees provide leadership and guidance to the Company's management and directs, supervises and controls the activities of the Company.
- ii) The size of the Board is commensurate with the size and business of the Company. As on 31st March, 2018, the board comprises of nine Directors, viz.,

S.No.	Name of the Directors (M/s.)	Designation
1	Venu Srinivasan	Non-Executive Chairman
2	Sudarshan Venu	Non-Executive Director
3	Anupam Thareja	Non-Executive Director
4	T K Balaji	Non-Executive Director
5	K N Radhakrishnan	Non-Executive Director
6	R Ramakrishnan	Non-Executive Independent Director
7	S Santhanakrishnan	Non-Executive Independent Director
8	V Srinivasa Rangan	Non-Executive Independent Director
9	Sasikala Varadachari	Non-Executive Independent Director

- iii) The Board has constituted Committees with specific terms of reference to focus on specific issues and ensure expedient resolution of diverse matters. These are the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Asset Liability Management Committee and Information Technology (IT) Strategy Committee.

## A. AUDIT COMMITTEE:

The Company has in place the Audit Committee constituted in accordance with the provisions of Para 11 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and as required under Section 177 of the Companies Act, 2013.

# REPORT ON CORPORATE GOVERNANCE

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting.

The Audit Committee also ensures that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

The Audit Committee of the Company consists of the following Directors:

S.No.	Name of the Directors (M/s.)	Status
1	S Santhanakrishnan	Chairman
2	R Ramakrishnan	Member
3	V Srinivasa Rangan	Member
4	K N Radhakrishnan	Member

## B. NOMINATION AND REMUNERATION COMMITTEE:

The Company has in place the Nomination & Remuneration Committee (NRC). It was constituted to formulate and recommend to the board of directors, the Company's policies relating to identification of directors, key managerial personnel and senior management personnel one level below the board and remuneration payable to them and the criteria for determining qualifications, positive attributes and independence of a director.

The NRC lays down the evaluation criteria for evaluating the performance of every director, committees of the board and the board as a whole and also the performance of key managerial personnel (KMP) and senior management personnel (SMP).

The performance evaluation of the board as a whole will be assessed based on the criteria like its composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision-making, follow-up action, quality of information, governance issues and the performance and reporting by various committees set up by the board.

The performance evaluation of individual director will be carried out based on his / her commitment to the role and fiduciary responsibilities as a board member, attendance and active participation, strategic and lateral thinking, contribution and recommendations given professionally, heading / acting as members of various sub-committees etc.

The performance of SMP was measured against the achievement of the business plans approved by the board during and at the completion of the financial year and their annual at risk remuneration reflects their business plan achievements.

The NRC has the overall responsibility for evaluating and approving the compensation plans, policies and programmes applicable to the SMP. The NRC also delegated its authority to the Chairman, wherever appropriate, for this purpose.

The NRC also ensures 'fit and proper' status of proposed and existing directors and on a continual basis.





## INFINITE OPTIMISM

### CAN OUR DAYS BE SO FULFILLING, WE GREET EACH NEW ONE WITH HOPE?

We inspire our customers to look forward with optimism, and break free from the obstacles and restraints that held them back. We do so by pushing our own boundaries. This year, our **Profit After Tax** crossed **Rs. 100 Cr, to Rs. 114.02 Cr.** While **our NPA of 1.15%** was **among the lowest** in the industry.

# REPORT ON CORPORATE GOVERNANCE

The Nomination and Remuneration Committee of the Company consists of the following directors:

S.No.	Name of the Directors (M/s.)	Status
1	R Ramakrishnan	Chairman
2	V Srinivasa Rangan	Member
3	K N Radhakrishnan	Member

## C. RISK MANAGEMENT COMMITTEE:

The Company has laid down procedures to inform board about the risk assessment and mitigation procedures, to ensure that executive management controls risk through means of a properly defined framework.

This Committee would ensure that the risks associated with the functioning of the Company are identified, controlled and mitigated and also lay procedures regarding managing and mitigating the risk through integrated risk management systems, strategies and mechanism. The Committee would meet periodically to review the risk management and mitigation/minimisation plans.

The Risk Management Committee of the Company consists of the following directors:

S.No.	Name of the Directors (M/s.)	Status
1	R Ramakrishnan	Chairman
2	S Santhanakrishnan	Member
3	Anupam Thareja	Member

## D. ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO):

The Company constituted an Asset Liability Management Committee (ALCO), in terms of Guidelines issued by RBI to NBFCs for effective risk management in its portfolios.

The ALCO consists of the following directors:

S.No.	Name of the Directors (M/s.)	Status
1	R Ramakrishnan	Chairman
2	S Santhanakrishnan	Member
3	Sudarshan Venu	Member
4	Anupam Thareja	Member

## E. INFORMATION TECHNOLOGY (IT) STRATEGY COMMITTEE:

The Company constituted an Information Technology (IT) Strategy Committee, in accordance with the information technology / information systems directions issued by RBI vide their circular dated 8th June, 2017 for reviewing and monitoring IT resources, risks and controls.

# REPORT ON CORPORATE GOVERNANCE

The IT Strategy Committee consists of the following directors and officials:

S.No.	Name of the Directors (M/s.)	Status
1	R Ramakrishnan	Chairman
2	Sudarshan Venu	Member
3	K N Radhakrishnan	Member
4	G Venkatraman	Chief Executive Officer
5	V Gopalakrishnan	Chief Financial Officer
6	C Arulanandam	Head - IT

## RELATED PARTY TRANSACTIONS POLICY

The Company has formulated a policy on related party transactions (RPTs). The Audit Committee reviews and approves said transactions between the Company and related parties, as defined under the Companies Act, 2013, to ensure that the terms of such RPTs would reasonably be expected of transactions negotiated on an arm's-length basis. The Committee meets prior to each scheduled Board meeting to review all RPTs of the Company.

Copy of the said policy is available in the Company's website with the following link <https://www.tvscredit.com/>

Attendance of directors at Meetings of the Board, Audit Committee (including attendance through video conferencing) and Annual General Meeting (AGM) held during the year:

S.No.	Name of Directors (M/s.)	Board Meetings		Audit Committee Meetings		Whether present at previous AGM held on 10 <sup>th</sup> July, 2017
		Held	Attended	Held	Attended	
1	Venu Srinivasan	4	3	-	-	Yes
2	R Ramakrishnan	4	4	4	4	No
3	T K Balaji	4	3	-	-	No
4	Sudarshan Venu	4	3	-	-	Yes
5	S Santhanakrishnan	4	4	4	4	Yes
6	Anupam Thareja	4	3	-	-	No
7	V Srinivasa Rangan	4	2	4	2	No
8	K N Radhakrishnan	4	4	4	4	No
9	Sasikala Varadachari	4	4	-	-	No

- iv) Pursuant to the guidelines on 'Fair Practices Code' issued by RBI, the Company has adopted a "Code", which is posted on the website of the Company and also a regular review on the implementation of the same is conducted by the Committee members.
- v) The Company has adopted a Code of conduct for employees of the Company and due care is taken that the employees adhere to it.

# REPORT ON CORPORATE GOVERNANCE

- vi) The Company has fulfilled the prudential norms and standards as laid down by RBI pertaining to income recognition, provisioning of non-performing assets and capital adequacy.

The Capital adequacy ratio of the Company is well within the limit prescribed by RBI. The Fair Practices Code and KYC norms framed by the Company seek to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships between customers and the Company and foster confidence in the finance system.

The Company has put in place a mechanism to monitor and review adherence to the Fair Practices Code, KYC norms & Credit policies as approved by the Board of Directors.

- vii) The Board of directors of the Company reviews, records and adopts the minutes of the meetings of various committees constituted by the Company.

The Company is keeping with proper responsibility and authority matrix inculcated in the structure of certification to ensure compliance from diversified and various locations.

- viii) The Company proposes to pay commission to the Non-executive directors (NEDs) of the Company for the year ended 31st March, 2018. None of the NEDs holds equity shares of the Company.

- ix) Sitting fees for attending the meetings of the Board and Committees of the Board are paid to NEDs within the maximum prescribed limits. Sitting fees paid to NEDs for the meetings held during FY 2017-18 are as follows:-

S.No.	Name of the Directors (M/s.)	Sitting Fees (Amount in Rs.)
1	Venu Srinivasan	40,000
2	R Ramakrishnan	1,80,000
3	T K Balaji	30,000
4	Sudarshan Venu	60,000
5	S Santhanakrishnan	1,50,000
6	Anupam Thareja	60,000
7	V Srinivasa Rangan	70,000
8	K N Radhakrishnan	1,10,000
9	Sasikala Varadachari	50,000

- x) The certification from Mr G Venkatraman, Chief Executive Officer and Mr V Gopalakrishnan, Chief Financial Officer on the financial statements has been obtained.
- xi) For further clarification / information, stakeholders are requested to visit the Company's website at <https://www.tvscredit.com/>

# SECRETARIAL AUDIT REPORT

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT OF TVS CREDIT SERVICES LIMITED**  
**FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2018**

*[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  
TVS CREDIT SERVICES LIMITED,  
No. 29, Haddows Road,  
Chennai - 600 006

CIN: U65920TN2008PLC069758  
Authorised Capital: Rs.200,00,00,000/-  
Paid-up capital: Rs. 166,88,57,000/-

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practice by TVS CREDIT SERVICES LIMITED, (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliance and expressing my opinion thereon.

Based on my 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 authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2018 according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Company being unlisted public limited company, the provisions of The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder are not applicable;
- iii) The Company being unlisted public limited company, the provisions of The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder are not applicable;
- iv) The Company having not received any Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, the provisions of 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 is not applicable;
- v) The Company being unlisted public limited company, the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz. (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (b) The Securities and Exchange Board of India (Prohibition of

# SECRETARIAL AUDIT REPORT

Insider Trading) Regulations, 2015; (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 are not applicable to the Company.

vi) Any other laws as applicable to the Company which inter alia includes:-

- 1) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007;
- 2) RBI NBFC Regulations Contract Labour (Regulations & Abolition) Act, 1970;
- 3) Compliance with the requirements of Foreign Exchange Management Act and Non Banking Finance Companies (Reserve Bank) Directions, 1998 with regard to non-acceptance of Deposits from Public;
- 4) Compliance under Prevention of Money Laundering Act, (PMLA) 2002 for the purpose of compliance with the obligations under Know your Customer Norms/ Anti Money Laundering (AMC) standards & Fair Pricing code (FPC) and Combating of Finance of Terrorism (CFT) obligations under PMLA, 2002;
- 5) Motor Vehicles Act, 1938;
- 6) Income Tax Act, 1961 and the Income Tax Rules, 1962 and Finance Act;
- 7) Profession Tax, 1992;
- 8) Labour laws like Equal Remuneration Act, 1976 and rules made thereunder; Employees Provident Fund and Miscellaneous Provisions Act, 1952 & Employees Provident Fund Scheme, 1952; Apprentice Act, 1961; Employees' State Insurance Act, 1948; Payment of Wages Act, 1936; Payment of Gratuity Act, 1972 & the Payment of Gratuity (Central) Rules, 1972; Payment of Bonus Act, 1965 & the Payment of Bonus Rules, 1975 and other applicable employee welfare or labour legislations covering the Company and its establishments;
- 9) Goods and Services Tax & Rules made thereunder;
- 10) Indian & State Stamp Act and Rules;
- 11) Competition Act, 2002;
- 12) Trade & Merchandise Marks Act, 1958;
- 13) Patents Act, 1970;
- 14) Copyright Act, 1957 or any licences issued thereunder.

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

- i) The Secretarial Standards with regard to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India in terms of sub-section 10 of Section 118 of the Companies Act, 2013, for the financial year under review;

## SECRETARIAL AUDIT REPORT

- ii) The Company being unlisted public limited company, the Company is not required to enter into Listing Agreements with any Stock Exchange(s), and hence compliance in relation thereto is not applicable.

From the verification of records and as per the information and explanation furnished to me, during the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, wherever applicable.

I further report that:-

- i) The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- ii) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and in case where meeting was held on shorter notice, consent for shorter notice was obtained from all the directors, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- iii) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes. However, on perusal of the minutes of the board or Audit Committee or Nomination & Remuneration Committee, or Asset Liability Management Committee, or Corporate Social Responsibility Committee meetings, it was observed that there was no dissenting note made by any of the member.

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

- i) Constituted Nomination and Remuneration Committee of Directors and has formulated "Nomination and Remuneration Policy" in terms of Section 178 of the Companies Act, 2013 and the Rules made thereunder;
- ii) Constituted the Audit Committee of directors in terms of Section 177 of the Companies Act, 2013;
- iii) Constituted Corporate Social Responsibility Committee of Directors (CSR) and has formulated CSR Policy and the projects/programmes, to be undertaken for CSR spending in terms of the Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014. It was observed on verification of records and based on the information furnished to me that an amount of Rs. 175 lakhs, constituting 2% of average net profits for the immediate past three financial years, has been spent for FY 2017-18 on the projects/programmes that have been identified to be undertaken for this purpose through Srinivasan Services Trust (SST), an independent Trust (NGO) in existence since 1996;
- iv) Considered and recorded the Risk Management Policy followed by the Company in terms of Section 134(3)(n) of the Companies Act, 2013 including identification therein of elements of risk, if any, which in the opinion of the board, may threaten the existence of the company;

## SECRETARIAL AUDIT REPORT

- v) Considered and approved the "Code of Business Conduct and Ethics" of the Company framed in terms of Section 149 read with Schedule IV of the Companies Act, 2013;
- vi) Constituted Asset Liability Management Committee as required to be formed as per RBI directions for Non-Banking Finance Companies as part of their overall system for effective risk management in their various portfolios;
- vii) Has appointed woman director in compliance with the provisions of Section 149 of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014;
- viii) Has provided Vigil Mechanism and approved Whistle Blower Policy in terms of Section 177(9) of Companies Act, 2013;
- ix) Has complied with the provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

I further report that from the information and explanations furnished to me, during the audit period the company has:

- i) Made Preferential issue of 66,66,600 equity shares of Rs. 10/- each aggregating to Rs. 49,99,95,000/- at a premium of Rs. 65/- per equity share and 32,05,000 equity shares of Rs. 10/- each aggregating to Rs. 24,99,90,000/- at a premium of Rs. 68/- per equity share respectively on private placement basis and has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;
- ii) In the Extra Ordinary General Meeting held on 23rd March, 2018 has obtained shareholders approval under Section 180 of the Companies Act, 2013, delegating powers to the board of directors to borrow from time to time to the extent of and upto Rs. 7,500 Cr and for creation of charge on the Company's assets;
- iii) Not done any Redemption/buyback of securities;
- iv) No merger/ amalgamation/ reconstruction etc. took place during the year under review. However, the Company along with its holding Company viz., TVS Motor Services Limited (TVSMS) has filed an application with the National Company Law Tribunal for redemption of the Preference Shares of TVSMS whereby the entire Preference Shareholding in TVSMS shall stand cancelled and extinguished and in consideration for which TVSMS shall transfer its investment of 13,36,51,475 (Thirteen Crore Thirty Six Lakhs Fifty One Thousand Four Hundred and Seventy Five) equity shares of INR Rs. 10 (Rupees Ten) each in the Company (out of the total investment in 13,47,41,600 equity shares of the Company held by TVSMS), to its Preference Shareholder, in proportion to the Preference Shareholder holding in the total paid-up capital of TVSMS.

Place: Chennai  
Date: 30th April, 2018

T N Sridharan  
Practising Company Secretary  
FCS No.: 3797  
CP No.: 4191



# SECRETARIAL AUDIT REPORT

To  
The Members  
TVS CREDIT SERVICES LIMITED,  
No. 29, Haddows Road,  
Chennai - 600 006

CIN: U65920TN2008PLC069758  
Authorised Capital: Rs.200,00,00,000/-  
Paid-up capital: Rs.166,88,57,000/-

My Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Chennai  
Date: 30th April, 2018

T N Sridharan  
Practising Company Secretary  
FCS No.: 3797  
CP No.: 4191

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TVS CREDIT SERVICES LTD

### REPORT ON THE STANDALONE FINANCIAL STATEMENTS

1. We have audited the accompanying standalone financial statements of TVS Credit Services Limited, ('the Company'), which comprises the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act.
3. 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 judgements 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.

### AUDITORS' RESPONSIBILITY

4. Our responsibility is to express an opinion on these Standalone financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TVS CREDIT SERVICES LTD

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

### OPINION

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2018, its profit and its cash flows for the year ended on that date.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-Section (11) of Section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
9. As required by Section 143(3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid Standalone financial statements, comply with the Accounting Standards specified under Section 133 of the Act;
  - (e) on the basis of written representations received from the directors as on 31st March, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B; and
  - (g) With respect to the other matters to be dealt 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 explanations give to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note No. 23 (3) to the Standalone financial statements.

INDEPENDENT AUDITORS' REPORT TO THE  
MEMBERS OF TVS CREDIT SERVICES LTD

- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long-term contracts.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
ICAI Regn. No. 109208W

Place: Chennai  
Date: 30.04.2018

S. VENKATRAMAN  
Partner  
M.No. 34319

## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

### ANNEXURE A TO INDEPENDENT AUDITORS' REPORT - 31<sup>ST</sup> MARCH, 2018 (REFERRED TO IN OUR REPORT OF EVEN DATE)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The Company has a regular programme of physically verifying all its fixed assets at all its locations in a phased manner over a period of 2 years, which in our opinion is reasonable having regard to the size of the Company and the nature of its 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 to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company. In respect of land taken possession during the year, agreement of sale has been executed, stamp duty has been paid and registration is in progress.
- (ii) The Company is in the business of lending and hence does not have physical inventories. Therefore, clause (ii) of paragraph 3 of the Order is not applicable to the Company.
- (iii) The Company has not granted any loans secured or unsecured to companies, partnership, limited liability partnership or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of clause (iii) of paragraph 3 of the Order is not applicable to the Company.
- (iv) According to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act in respect of grant loan and making Investments, as applicable. The Company has not provided any guarantees or securities.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of clause (v) of the paragraph 3 of the Order are not applicable to the Company.
- (vi) The Central Government has not specified the maintenance of cost records under Section 148 (1) of the Act. Therefore, the provisions of clause (vi) of paragraph 3 of the Order are not applicable to the Company.
- (vii) (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues payable including Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Goods and Services Tax, Value Added Tax and Cess and other material statutory dues with the appropriate authorities. There is no liability in respect of duty of Customs, Excise Duty, Sales Tax. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Goods and Services Tax and Cess were in arrears as at 31<sup>st</sup> March, 2018 for a period of more than six months from the date they became payable.

## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(b) According to the information and explanations given to us and the records of the Company, the dues of Service Tax which have not been deposited on account of any dispute are as follows:

Name of the Statute / (Nature of dues)	Period of dues	Amount (Rs. in lakhs)	Forum where dispute is pending
Finance Act, 1994 (Service Tax)	2011 to 2015	407.83	Central Excise and Service Tax Appellate Tribunal, Chennai

- (viii) On the basis of verification of records and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to Financial Institutions, Banks and debenture holders. There are no borrowings from Government.
- (ix) According to the information and explanations given to us, the term loans availed by the Company have been applied for the purpose for which they were obtained. The Company has not raised monies by way of initial public offer or further public offer (including debt instruments) during the year.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the Management, no material fraud by the Company and no fraud on the Company by its officers or employees, except for 80 cases of frauds (individual case not exceeding Rs. 1 Cr) in the nature of 'fraudulent encashment/manipulation of books of accounts' amounting to Rs. 137.18 lakhs (since collected Rs. 56.38 lakhs), on the Company have been noticed and reported during the year.
- (xi) According to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of paragraph 3 of the Order is not applicable.
- (xiii) According to the information and explanations given to us, the Company is in compliance with Section 188 and Section 177 of the Act, where applicable, for all transactions with related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year, the Company has made preferential allotment of shares and the requirements of Section 42 of the Act have been complied with. Further, the amounts raised have been used for the purpose for which the funds were raised.
- (xv) According to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Act are not applicable.

## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the certificate of registration dated 13th April, 2010.

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
ICAI Regn. No. 109208W

Place: Chennai  
Date: 30.04.2018

S. VENKATRAMAN  
Partner  
M.No. 34319

# ANNEXURE TO INDEPENDENT AUDITORS' REPORT

## ANNEXURE - B TO THE INDEPENDENT AUDITORS' REPORT – 31<sup>ST</sup> MARCH, 2018 (REFERRED TO IN OUR REPORT OF EVEN DATE)

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

1. We have audited the internal financial controls over financial reporting of TVS Credit Services Limited ("the Company") as of 31 March, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

### AUDITORS' RESPONSIBILITY

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to



## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

6. A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

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

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

### OPINION

8. In our opinion, the Company has, in all material respects, an adequate internal financial Control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, based on internal control over financial reporting criteria established by the Company considering the essential components of 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.

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
ICAI Regn. No. 109208W

S. VENKATRAMAN  
Partner  
M.No. 34319

Place: Chennai  
Date: 30.04.2018



## INFINITE KNOWLEDGE

### CAN WHAT WE KNOW ALWAYS CONTINUE TO GROW?

A world of knowledge and comfort opened up to so many people, with the **launch of our Consumer Durables Loans** in Tamil Nadu and West Bengal. Out of the **14,000 customers** who took this loan, some acquired necessities, others enjoyed new luxuries. But regardless of the product they purchased, every family felt itself enriched.

# FINANCIAL STATEMENTS

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2018

(Rs. In Lakhs)

Particulars	Note No.	As at 31st March, 2018	As at 31st March, 2017
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share capital	2	16,688.57	15,701.41
Reserves and surplus	3	72,529.33	54,614.22
		<b>89,217.90</b>	<b>70,315.63</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	184,880.84	116,588.46
Other Long-Term Liabilities	5	5,964.87	9,411.58
Long-Term Provisions	6	6,872.60	4,874.90
		<b>197,718.31</b>	<b>130,874.94</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	4	234,764.17	186,557.51
Trade payables	7	7,830.38	9,346.57
Other Current Liabilities	8	133,300.87	140,105.19
Short-Term Provisions	6	8,603.96	6,446.25
		<b>384,499.38</b>	<b>342,455.52</b>
		<b>671,435.59</b>	<b>543,646.09</b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Fixed Assets			
(i) Tangible assets	9	10,270.69	5,350.52
(ii) Intangible assets	9	193.56	173.13
		10,464.25	5,523.65
Non Current Investments	10	1,201.25	-
Long-Term loans and advances	11	1,822.50	892.73
Other Non Current Assets	12	17,170.13	22,017.00
Receivable from Financing Activities	13	282,435.87	220,401.11
		302,629.75	243,310.84
Deferred Tax Asset (net)	23.5	4,415.65	2,833.67
<b>Current Assets</b>			
Trade receivables	14	1,666.21	944.63
Cash and Bank Balances	15	8,669.12	15,355.86
Short-Term loans and advances	11	3,516.80	1,526.93
Receivable from Financing Activities	13	339,466.69	273,299.96
Other Current Assets	16	607.12	850.55
		353,925.94	291,977.93
		<b>671,435.59</b>	<b>543,646.09</b>

Significant Accounting Policies forming part of financial statements

1

Additional Notes forming part of financial statements

23

As per our report of even date

For and on behalf of the Board

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
ICAI Regn. No. 109208W

S. Venkatraman  
Partner  
Membership No. 34319

Director

Director

Chief Executive Officer

Place: Chennai  
Date: 30th April, 2018

Chief Financial Officer

Company Secretary

# FINANCIAL STATEMENTS

## STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018

(Rs. In Lakhs)

Particulars	Note No.	For the year ended 31st March, 2018	For the year ended 31st March, 2017
<b>INCOME</b>			
Revenue from operations	17	133,251.38	111,076.56
Other Income		791.14	402.50
<b>Total</b>		<b>134,042.52</b>	<b>111,479.06</b>
<b>EXPENSES</b>			
Finance costs	19	40,635.75	34,674.91
Business origination and Recovery Cost		14,912.33	12,470.63
Employee benefits expense	20	30,847.90	28,161.97
Depreciation and amortisation expense	9	997.78	870.77
Other Operating expenses	21	14,915.16	12,953.87
Provisions and Loan Losses	22	14,745.85	8,791.24
<b>Total</b>		<b>117,054.77</b>	<b>97,923.39</b>
<b>Profit before tax</b>		<b>16,987.75</b>	<b>13,555.67</b>
<b>Tax expense:</b>			
Current Tax		7,183.68	5,516.20
Prior Years		(16.36)	-
Deferred Tax Liability/(Asset)		(1,581.99)	(712.80)
<b>Profit after tax for the year</b>		<b>11,402.42</b>	<b>8,752.27</b>
<b>Earnings per equity share:</b>			
Basic Earnings per Share in Rs.		7.01	5.83
Diluted Earnings per Share in Rs.		7.01	5.83

Significant Accounting Policies forming part of financial statements 1

Additional Notes forming part of financial statements 23

As per our report of even date

For and on behalf of the Board

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
ICAI Regn. No. 109208W

S. Venkatraman  
Partner  
Membership No. 34319

Director

Director

Chief Executive Officer

Place: Chennai  
Date: 30th April, 2018

Chief Financial Officer

Company Secretary

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018

(Rs. In Lakhs)

Particulars	Year ended 31 <sup>st</sup> March, 2018		Year ended 31 <sup>st</sup> March, 2017	
<b>Cash Flow from Operations</b>				
Profit before tax		16,987.75		13,555.67
<b>Adjustments for</b>				
Depreciation	997.78		870.79	
Provisions and Write Off	9,451.01		6,272.27	
Loss on sale of Assets	-		0.53	
Discard of Fixed Assets	14.86		7.62	
Shares issued in lieu of professional charges incurred	-		475.31	
Provision for Employee Related Expenses	687.17		613.92	
Financing Charges	40,635.75		34,663.34	
Interest earned	(22.56)		(18.69)	
		51,763.99		42,885.09
Operating Profit Before Working Capital changes		68,751.76		56,440.76
<b>Adjustments for</b>				
(Increase)/Decrease in Receivables under financial activities (NBFC)	(133,617.63)		(138,787.68)	
(Increase)/Decrease in Trade Receivables	(721.59)		(10.58)	
(Increase)/Decrease in Loans & Advances	(3,246.32)		(903.57)	
(Increase)/Decrease in Bank deposit held as collateral security for de-recognised assets and lien marked	3,762.18		(1,697.98)	
Interest received	68.43		30.44	
(Increase)/Decrease in Other Non Current Assets	4,863.23		-	
(Increase)/Decrease in Other Current Assets	197.55		(1,110.09)	
Increase/(Decrease) in Trade payables & Other Liabilities	(7,649.65)		32,660.71	
		(136,343.80)		(109,818.75)
Financing Charges paid	(40,066.95)		(34,032.80)	
Income Tax Paid	(7,423.60)		(4,761.96)	
		(47,490.55)		(38,794.76)
<b>Net Cash used in Operation - (A)</b>		(115,082.59)		(92,172.75)

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018

(Rs. In Lakhs)

Particulars	Year ended 31st March, 2018		Year ended 31st March, 2017	
<b>Cash Flow from Investing Activity</b>				
Purchase of Fixed Assets	(5,953.24)		(2,109.48)	
Purchase of Investments in equity shares of Subsidiaries	(1,201.25)			
Net Cash (used in) Investing Activity - (B)		(7,154.49)		(2,109.48)
<b>Cash Flow from Financing Activity</b>				
Proceeds from issue of Share Capital	987.16		1,143.49	
Share Premium Received	6,512.69		5,831.80	
Proceeds/(Repayment) of Term Loan from Bank	68,292.40		3,070.95	
Increase/(Decrease) in Short-term Borrowings	43,520.28		68,563.39	
Net Cash from Financing Activity - (C)		119,312.53		78,609.63
<b>Net Increase/(Decrease) in Cash and cash equivalents (A+B+C)</b>		<b>(2,924.55)</b>		<b>(15,672.61)</b>
Cash and cash equivalents at the beginning of the year		6,229.74		21,902.35
Cash and cash equivalents at the end of the year		3,305.19		6,229.74
		<b>(2,924.55)</b>		<b>(15,672.61)</b>
<b>Note:</b>				
Cash and cash equivalents at the end of the year		8,669.13		15,355.86
Less: Bank Deposits under Lien		5,363.92		9,126.12
		<b>3,305.19</b>		<b>6,229.74</b>

Note : Previous year figures have been regrouped to conform to current year groupings

As per our report of even date

For and on behalf of the Board

For V. SANKAR AIYAR & CO.  
Chartered Accountants  
ICAI Regn. No. 109208W

S. Venkatraman  
Partner  
Membership No. 34319

Director

Director

Chief Executive Officer

Place: Chennai  
Date: 30th April, 2018

Chief Financial Officer

Company Secretary

# SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS

## COMPANY BACKGROUND

The Company received Certificate of Registration dated 13th April, 2010 from Reserve Bank of India and commenced Non-Banking Financial activity thereon. The Company is categorised as Systemically Important Non-Banking Finance (Non-Deposit Accepting or Holding) Company, as defined under Section 45-IA of Reserve Bank of India (RBI) Act, 1934. The Company is engaged predominantly in financing of vehicles. The Company falls under the category of Loan Company.

## SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of Preparation of Accounts:

The financial statements are prepared on a going concern basis under the historical cost convention on accrual basis of accounting, unless otherwise stated, in accordance with the generally accepted accounting principles and Accounting Standards notified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. Further, the Company follows the statutory requirements, circulars and guidelines issued by the Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFC), from time to time. The Company has a policy of making additional provision on a prudential basis.

All assets & liabilities are classified as Current and Non-Current based on the operating cycles which have been estimated to be 12 months and which are expected to be realised and settled within a period of 12 months from the date of the Balance Sheet.

### b. Use of Estimates:

The preparation of financial statements require management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future period.

### c. Fixed Assets and Depreciation:

#### Fixed Assets:

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation / amortisation and impairment, if any. Cost includes purchase price, taxes and duties less eligible Goods and Services Tax as permitted under relevant statute. Subsequent expenditure incurred on assets is capitalised only if it increases the future benefit of such assets. Residual value has been estimated to be Nil at the end of the useful life of the all assets.

The assets taken over under the Business Transfer Agreement (BTA) are at the net depreciated block value of the transferor on the date of said transfer.

#### Depreciation:

Depreciation is charged over the useful life prescribed under Part C of Schedule II of the Companies Act, 2013 except in the case of mobile phone, based on the technical evaluation, wherein the useful life is considered as 2 years and full depreciation is charged on fixed assets whose individual value is less than Rs. 5,000/-.

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS

The cost of improvements made to rented property during the year and included under furniture and fixtures, is depreciated over the primary lease period.

Depreciation on fixed assets added/disposed of during the year is calculated on pro-rata basis with reference to the date of addition/disposal.

### **d. Intangible Assets**

Software cost is treated as Intangible Assets and are amortised at lower of 33.33% per annum or the licence period. Expenditure incurred for support and maintenance of software are charged off in the year of incurring.

### **e. Revenue Recognition**

- i. Interest income is recognised under the Internal Rate of Return Method on accrual basis. In the case of non-performing loans, interest income is recognised on realisation, as per RBI guidelines. Interest recognised as income in the previous year is reversed in the month in which loan is classified as Non Performing as per RBI norms.
- ii. Income by way of service charges like processing fee, documentation charges, Subvention Income received from dealers/manufacturers are recognised on disbursement of loan.
- iii. Income in the nature of overdue interest and bounce charges are recognised on realisation, due to uncertainty of collection.
- iv. Interest revenue from deposits with banks is recognised on time proportion basis taking into account the outstanding amount and the applicable rate of interest.
- v. Income from non-financing activity is recognised as per the terms of contract, on accrual basis.
- vi. Delinquency fund received is amortised over the tenor of the loan.

### **f. Financing Activities**

#### **i. Receivables from Financing Activities**

The loans to borrowers are stated at the contract value after netting off unmatured Income, wherever applicable, instalments appropriated up to the year end and amount written off.

#### **ii. Prudential Norms – Application & Provisioning for Financing Activities**

The Company has followed the prudential norms of RBI on Income recognition, Asset classification, Provisioning requirement, etc. issued from time to time. As required in the said directions, the Company has not accrued income in respect of Loan Assets, which are Non Performing.

In respect of standard assets, the Company provides 0.40% on standard assets as stipulated by circular (DNBR PD) CC.No.002/03.10.001/2014-15 dated 10th November, 2014 issued by RBI.

### **g. Securitisation/Assignment of Receivables**

Securitisation transactions entered into and covered by the RBI circular dated 21st August, 2012 are accounted as under:



## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS

- i. Securitised/assigned receivables are derecognised in the balance sheet on its sale, i.e. when they fully meet with the 'true sale' criteria.
- ii. The excess interest spread on the securitisation transaction is recognised in the statement of profit and loss only when it is redeemed in cash by the SPV after adjusting for overdue receivables. Losses, if any, are recognised upfront.

### **h. Taxation**

- i. Provision for current tax is made on the basis of taxable income for the current accounting year in accordance with the Income Tax Act, 1961.
- ii. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the Balance Sheet date. Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

### **i. Employee Benefits:**

- i. Provident Fund:

Contributions to Provident Fund made to Regional Provident Fund Commissioner in respect of Employees' Provident Fund and Employee Pension Fund based on the statutory provisions are charged to Statement of Profit and Loss on accrual basis.

- ii. Gratuity

The Company makes contribution to a Gratuity fund administered by trustees and managed by LIC based on actuarial valuation determined every year by independent actuary as at balance sheet using the projected unit credit method.

- iii. Compensated Absences

The Company accounts its liability for long-term compensated absences based on actuarial valuation, as at the balance sheet date, determined by an independent actuary using the Projected Unit Credit method. Actuarial gains or losses are recognised in the statement of profit and loss, in the year in which they occur.

- iv. Pension

The Company has a pension plan which is a defined benefit plan, for its senior managers of the Company. The liability for the pension benefits payable in future under the said plan, is provided for based on an independent actuarial valuation as at Balance Sheet date.

### **j. Transactions in foreign currencies**

- i. Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.
- ii. Foreign currency monetary assets and liabilities such as cash, receivables, loans, payables etc., are translated at year end exchange rates.

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS

- iii. Non-monetary items denominated in foreign currency such as investments, fixed assets, etc., are valued at the exchange rate prevailing on the date of transaction.
- iv. Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense in the year in which they arise.
- v. Exchange differences relating to forward exchange contracts entered into for hedging i.e. for mitigating the foreign currency fluctuation risk on an underlying asset or liability are recognised in the Profit and Loss Statement. Premium or discount on forward contract is amortised over the life of such contracts and is recognised as income or expense.

### **k. Goods and Service Tax Input Credit**

Eligible Goods and Services Tax input credit is accounted as receivable when the underlying service is received, as per the Goods and Services Tax Act Rules applicable to Non-Banking Financial activities.

### **l. Prepaid Expenses**

Processing fee on loan borrowed is amortised over the tenor of the respective loan. Unamortised borrowing cost remaining if any, is fully expensed off, as and when the related borrowing is prepaid.

### **m. Provisions & Contingencies**

#### **Provision:**

A provision arising out of a present obligation, as a result of past event, is recognised only when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reasonably estimated.

#### **Contingent Liabilities:**

Wherever there is a possible obligation that may, but probably will not require an outflow of resources, the same is disclosed by way of contingent liability.

In case of possible obligation or present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements.

### **n. Business originating and recovery cost:**

Business origination and recovery cost representing the expenditure incurred for sourcing, processing, recovery are accounted in the year of incurring.

### **o. Cash Flow Statement**

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of the transactions of non-cash nature. Deposits which are lien marked with maturity period exceeding 3 months are not treated as cash and cash equivalent for cash flow statement.

## SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF FINANCIAL STATEMENTS

### **p. Earnings Per Share**

The basic earnings per share is computed by dividing the net profit / loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit per share are included.

### **q. Impairment**

The carrying amounts of assets are reviewed at each balance sheet date for indication of any impairment based on internal/external factors. An impairment loss is recognised wherever carrying amount of the assets exceeds its recoverable amount. Any such impairment loss is recognised by charging it to the Statement of Profit and Loss. A previously recognised impairment loss is reversed where it no longer exists and the assets are restated to the effect.

### **r. Lease**

Payments under operating lease arrangements are recognised as per the terms of the lease.

# SCHEDULES

## 2. SHARE CAPITAL

(Rs. in Lakhs)

Description		As at 31st March, 2018	As at 31st March, 2017		
a	<b>Authorised share capital:</b> 200,000,000 Equity shares of Rs.10 each (Previous Year 20,00,00,000 Equity Shares)	20,000.00	20,000.00		
		<b>20,000.00</b>	<b>20,000.00</b>		
b	<b>Issued, subscribed and fully paid-up share capital:</b> 166,885,700 Equity shares of Rs.10 each (Previous year 15,70,14,100 Equity Shares of Rs.10 each)	16,688.57	15,701.41		
c	<b>Par value per share</b>	Rs.10 each	Rs.10 each		
d	<b>Number of equity shares at the beginning of the year</b>	157,014,100	144,800,000		
	Add: Preferential allotment made during the year	9,871,600	12,214,100		
	<b>Number of equity shares at the end of the year</b>	166,885,700	157,014,100		
e	<b>Equity Shares held by Holding Company</b>				
	<b>Particulars</b>	<b>No. of Shares</b>	<b>No. of Shares</b>		
	Holding Company - TVS Motor Services Limited (including nominees)	134,741,600	134,741,600		
	TVS Motor Company Limited (Holding Company of TVS Motor Services Limited effective 7th September, 2017)	7,009,753	-		
	Sundaram Clayton Limited (Holding Company of TVS Motor Company Limited)	2,180,250	-		
f	<b>Number of shares held by shareholders more 5% of total shares</b>	<b>As at 31st March, 2018</b>		<b>As at 31st March, 2017</b>	
		<b>No. of Shares</b>	<b>% of Holding</b>	<b>No. of Shares</b>	<b>% of Holding</b>
	TVS Motor Services Limited	134,741,600	80.74	134,741,600	85.81
	TVS Motor Company Limited, Holding Company of TVS Motor Services Limited	7,009,753	4.20	10,655,700	6.79
	Lucas-TVS Limited	11,337,297	6.79	-	-
g	<b>Terms/Rights attached to Equity Shares</b>				
	a) Every Shareholder is entitled to such rights as to attend and vote at the meeting of the shareholders, to receive dividends distributed and also has a right in the residual interest of the assets of the Company. Every shareholder is also entitled to right of inspection of documents as provided in the Companies Act, 2013. There are no restrictions attached to equity shares.				
	b) Pursuant to MoU dated 16th April, 2010 entered into by the Company with PHI Capital Services Private Limited (converted into PHI Capital Services LLP) and PHI Research Private Limited (PR), PR has assigned its responsibility towards providing strategic and operational advisory service in connection with the NBFC business of the Company, to PHI Capital Services LLP. In consideration thereto, the Company has agreed to allot shares to PHI Capital Services LLP, on achieving certain levels of PBT, from the financial year commencing from FY 2014-15 to FY 2016-17 (wherein financial year is to be reckoned as that beginning from 1st October to 30th September).				
	c) 35,00,000 number of fully paid-up equity shares allotted to PHI Research Private Limited in FY 2010-11 (having a lock-in period of 5 years from the date of allotment) and the shares allotted to PHI Capital Services LLP viz., 7,79,200 number of fully paid up equity shares allotted in FY 2014-15 (having a lock-in period of 3 years from the date of allotment), 7,79,200 number of fully paid-up equity shares allotted in FY 2015-16 (having a lock-in period of 2 years from the date of allotment) and 15,58,400 number of fully paid up equity shares allotted in FY 2016-17 (having a lock-in period of 1 year) as per the alliance agreement dated 16th April, 2010 entered into with them, have been made for a consideration received other than cash.				

# SCHEDULES

## 3. RESERVES AND SURPLUS

(Rs. in Lakhs)

	Description	As at 31st March, 2018		As at 31st March, 2017	
		Amount	Amount	Amount	Amount
a	<b>Share Premium Reserve</b>				
	As per Last Balance Sheet	37,259.51		31,030.32	
	Add: Premium received on Preferential Allotment	6,512.69		6,229.19	
	Closing balance		43,772.20		37,259.51
b	<b>Statutory Reserve u/s 45-1(c) of Reserve Bank India Act, 1934</b>				
	As per Last Balance Sheet	3,818.46		2,068.00	
	Add: Additions during the year	2,280.48		1,750.46	
	Closing balance		6,098.94		3,818.46
c	<b>Surplus from Profit &amp; Loss account</b>				
	As per Last Balance Sheet	13,536.25		6,534.42	
	Add: Net Profit for the year	11,402.42		8,752.29	
	Less: Transfer to Statutory Reserve	2,280.48		1,750.46	
	Closing balance		22,658.19		13,536.25
			<b>72,529.33</b>		<b>54,614.22</b>

## 4. BORROWINGS

(Rs. in Lakhs)

Description	NON CURRENT		CURRENT	
	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2018	As at 31st March, 2017
<b>LONG TERM TERM LOAN</b>				
<b>a. From Bank</b>				
Subordinated Debt	21,250.00	6,875.00	625.00	625.00
Term Loans	106,980.84	80,363.46	102,054.55	81,982.61
Foreign Currency Term Loans	23,750.00	-	8,750.00	30,000.00
<b>b. From Other Parties</b>				
Senior Debt	-	-	-	418.75
Subordinated Debt	22,900.00	29,350.00	1,450.00	1,450.00
Term Loans	-	-	-	3,089.58
Perpetual Debt	10,000.00	-	-	-
	<b>184,880.84</b>	<b>116,588.46</b>	<b>112,879.55</b>	<b>117,565.94</b>
<b>The above amount includes</b>				
Secured Borrowings	130,730.84	80,363.46	110,804.55	115,072.19
Unsecured Borrowings	54,150.00	36,225.00	2,075.00	2,493.75
Amount disclosed under the head "Other Current Liabilities"	-	-	(112,879.55)	(117,565.94)
	<b>184,880.84</b>	<b>116,588.46</b>	<b>-</b>	<b>-</b>

# SCHEDULES

(Rs. in Lakhs)

Description	NON CURRENT		CURRENT	
	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2018	As at 31st March. 2017
<b>SHORT TERM</b>				
Working Capital Demand Loan and Cash Credit Loan repayable on Demand				
- From Banks	-	-	134,914.17	104,557.51
Term Loan From Bank:				
- Secured			27,500.00	8,000.00
- Unsecured	-	-	26,500.00	4,000.00
Term Loan from Others			5,850.00	-
Commercial Papers	-	-	40,000.00	70,000.00
	-	-	<b>234,764.17</b>	<b>186,557.51</b>
<b>The above amount includes:</b>				
Secured Borrowings	-	-	168,264.17	112,557.51
Unsecured Borrowings	-	-	66,500.00	74,000.00
	-	-	<b>234,764.17</b>	<b>186,557.51</b>

## 1 Security

- Holding Company has given guarantee in the form of Put Option amounting to Rs.1,875 lakhs (Previous Year Rs.2,500 lakhs) towards Subordinated Debt.
- Term loan received from Banks and Other Parties of Rs.2,74,885.39 lakhs inclusive of Current and Non Current Dues (Previous Year Rs.2,00,346.07 lakhs) is secured against hypothecation of receivables under the financing activity of the Company.
- Working Capital Demand Loan and Cash Credit of Rs.1,34,914.17 lakhs (Previous Year Rs.1,04,557.51 lakhs) is secured by hypothecation of receivables under the financing activity of the Company.

# SCHEDULES

## REPAYMENT TERMS

Institution	Amount outstanding as on 31st March 2018	No. of Instalments	Frequency	Rate of Interest	Amount of Instalments		Repayable	
					2017-18	2016-17	From	To
<b>Subordinated Debt</b>	Rs. in Lakhs				Rs. in Lakhs	Rs. in Lakhs		
From Other Parties	4,350.00	3	Annual	8.01%	1,450.00	1,450.00	Jun-18	Jan-20
From Other Parties	5,000.00	1	Bullet	11.50%	5,000.00	5,000.00	Sep-20	Sep-20
From Bank	1,875.00	3	Annual	10.35%	625.00	625.00	Jun-18	Jun-20
From Other Parties	5,000.00	1	Bullet	11.00%	5,000.00	5,000.00	Jul-21	Jul-21
From Other Parties	5,000.00	1	Bullet	10.80%	5,000.00	5,000.00	Sep-21	Sep-21
From Other Parties	5,000.00	1	Bullet	10.49%	5,000.00	5,000.00	Apr-22	Apr-22
From Other Parties	5,000.00	1	Bullet	10.50%	5,000.00	5,000.00	May-22	May-22
From Bank	2,500.00	1	Bullet	9.70%	2,500.00	5,000.00	Sep-22	Sep-22
From Bank	2,500.00	1	Bullet	9.70%	2,500.00		Sep-22	Sep-22
	5,000.00	1	Bullet	9.70%	5,000.00	-	May-23	May-23
	5,000.00	1	Bullet	9.70%	5,000.00	-	Jul-23	Jul-23
<b>Senior Debt</b>								
From Other Parties	-	-	-	-	-	1,675.00	-	-
<b>Term Loan</b>								
From Other Parties	-	-	-	-	-	333.33	-	-
From Other Parties	-	-	-	-	-	750.00	-	-
From Bank	2,000.00	8	Quarterly	8.75%	250.00	250.00	Jun-18	Mar-20
From Bank	9,000.00	6	Quarterly	8.40%	1,500.00	1,500.00	Jun-18	Sep-19
From Bank	2,121.21	7	Monthly	8.80%	303.03	303.03	Apr-18	Oct-18
From Bank	-	-	-	-	-	413.00	-	-
From Bank	3,333.33	2	Quarterly	8.80%	1,666.66	1,666.66	Jun-18	Sep-18
From Bank	-	-	-	-	-	333.33	-	-
From Bank	-	-	-	-	-	138.89	-	-
From Bank	-	-	-	-	-	83.33	-	-
From Bank	2,000.00	1	Quarterly	7.90%	2,000.00	2,000.00	May-18	May-18
From Bank	-	-	-	-	-	1,000.00	-	-
From Bank	-	-	-	-	-	83.33	-	-
From Bank	2,000.00	2	Quarterly	8.45%	1,000.00	1,000.00	Jun-18	Sep-18
From Bank	833.33	2	Quarterly	8.50%	416.67	416.67	Jun-18	Sep-18
From Bank	9,500.00	1	Quarterly	8.35%	9,500.00	9,500.00	Jun-18	Jun-18
From Bank	4,000.00	2	Quarterly	8.40%	2,000.00	2,000.00	May-18	Aug-18
From Bank	1,500.00	3	Quarterly	8.40%	500.00	500.00	May-18	Nov-18
From Bank	-	-	-	-	-	5,000.00	-	-
From Bank	-	-	-	-	-	625.00	-	-
From Bank	7,500.00	3	Quarterly	8.35%	2,500.00	2,500.00	May-18	Nov-18
From Bank	4,197.45	5	Quarterly	8.40%	833.33	833.33	Jun-18	Jun-19
From Bank	4,000.06	4	Quarterly	8.70%	1,000.00	1,000.00	Jun-18	Mar-19
From Bank	2,500.00	1	Bullet	8.00%	2,500.00	-	Jun-18	Jun-18
From Bank	3,000.00	6	Quarterly	8.50%	500.00	500.00	Apr-18	Jul-19
From Bank	3,750.00	3	Half Yearly	8.90%	1,250.00	1,250.00	Aug-18	Aug-19
From Bank	5,000.00		Bullet	8.25%	5,000.00	-	Sep-18	Sep-18
From Bank	2,500.00	6	Quarterly	8.50%	417.00	417.00	Jun-18	Sep-19
From Bank	-	-	-	-	-	937.50	-	-
From Bank	-	-	-	-	-	5,000.00	-	-

# SCHEDULES

Institution	Amount outstanding as on 31st March, 2018	No. of Instalments	Frequency	Rate of Interest	Amount of Instalments		Repayable	
					2017-18	2016-17	From	To
	Rs. in Lakhs				Rs. in Lakhs	Rs. in Lakhs		
From Bank	6,466.67	21	Monthly	8.45%	300.00	33.33	Apr-18	Jan-20
From Bank	5,833.33	7	Quarterly	8.50%	833.00	833.00	Jun-18	Dec-19
From Bank	-	-	-	-	-	1,250.00	-	-
From Bank	5,000.00	4	Quarterly	8.35%	1,250.00	1,250.00	Apr-18	Jan-19
From Bank	17,500.00	7	Quarterly	8.35%	2,500.00	1,000.00	Jun-18	Dec-19
From Bank	8,000.00	8	Quarterly	8.45%	1,000.00	500.00	Jun-18	Mar-20
From Bank	3,333.33	8	Quarterly	8.35%	417.00	417.00	Jun-18	Mar-20
From Bank	6,250.00	5	Quarterly	8.30%	1,250.00	-	Jun-18	Jun-19
From Bank	8,750.00	7	Quarterly	8.40%	1,250.00	-	Jun-18	Dec-19
From Bank	3,750.00	4	Quarterly	8.55%	937.50	-	Jun-18	Mar-19
From Bank	10,000.00	10	Quarterly	8.40%	1,000.00	-	May-18	Aug-20
From Bank	8,750.00	7	Quarterly	8.15%	1,250.00	-	Jun-18	Dec-19
From Bank	10,000.00	2	Bullet	8.25%	5,000.00	-	Sep-19	Sep-20
From Bank	20,000.00	2	Bullet	7.95%	10,000.00	-	Oct-19	Oct-19
From Bank	9,166.67	11	Quarterly	8.10%	833.00	-	May-18	Nov-20
From Bank	10,000.00	10	Quarterly	8.10%	1,000.00	-	Sep-18	Dec-20
From Bank	20,000.00	10	Quarterly	8.15%	2,000.00	-	Aug-18	Nov-20
From Bank	15,000.00	1	Bullet	8.00%	15,000.00	-	Jun-18	Jun-18
From Bank	19,000.00	12	Quarterly	8.40%	1,583.00	-	Jun-18	Mar-21
From Bank	10,000.00	1	Bullet	8.20%	10,000.00	-	Jun-18	Jun-18
From Bank	10,000.00	1	Bullet	8.05%	10,000.00	-	Jun-18	Jun-18
From Other Parties	5,850.00	1	Bullet	8.25%	-	-	May-18	May-18
From Bank	20,000.00	1	Bullet	8.30%	20,000.00	-	Nov-19	Nov-19

## 5. OTHER LONG-TERM LIABILITIES

(Rs. in Lakhs)

Description	As at 31st March, 2018	As at 31st March, 2017
- Security Deposit	-	33.11
- Income received in Advance	659.20	603.24
- Advance received from Borrowers	5,305.67	6,360.70
- Advance Insurance premium collected from Borrowers	-	2,414.53
	<b>5,964.87</b>	<b>9,411.58</b>



# SCHEDULES

## 6. PROVISION

(Rs. In Lakhs)

Description	LONG TERM		SHORT TERM	
	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2018	As at 31st March, 2017
Provision for Taxation - (Net of Advance Tax and Tax deducted at source) (A)	-	-	-	566.60
<b>Provision for Employee Benefits</b>				
- Compensated Absences	546.36	328.21	318.30	192.23
- Pension	1,002.25	916.14	-	-
- Gratuity	358.87	102.03	-	-
<b>Total of Provision for Employee Benefit (B)</b>	<b>1,907.48</b>	<b>1,346.38</b>	<b>318.30</b>	<b>192.23</b>
<b>Others</b>				
<b>As per RBI Norms</b>				
Provision for Standard Assets	1,060.40	844.15	1,232.57	1,002.52
Provision for Sub Standard Assets	400.73	273.34	884.26	618.90
Provision for Doubtful Assets	211.01	112.71	183.42	19.26
Provision for Loss Assets [includes Assets taken over from erstwhile TVS Finance and Services Limited (converted to Chennai Business Consulting Services Limited) vide BTA dated 21/04/2010]	674.64	663.83	2,718.20	2,712.35
<b>As per Company Norms</b>				
Incremental provision as per Company Norms	2,304.20	1,196.79	2,631.71	1,037.29
Contingent provision for De-recognised Assets	314.14	437.70	635.50	297.10
<b>Total of Provision for Receivables (C)</b>	<b>4,965.12</b>	<b>3,528.52</b>	<b>8,285.66</b>	<b>5,687.42</b>
<b>Total (A)+(B)+(C)</b>	<b>6,872.60</b>	<b>4,874.90</b>	<b>8,603.96</b>	<b>6,446.25</b>

**Provision represents provisions created:**

Vide Note No.6A given below, for provision created as per RBI Norms and as per Company policy in respect of Standard, Non performing and De-recognised assets.

# SCHEDULES

(Rs. in Lakhs)

## 6A. CHANGES IN PROVISIONS

Description	Provision as on 01.04.2017	Net amount debited in P&L	Provision as on 31.03.2018
<b>As per RBI Norms</b>			
Provision for Standard Assets	1,846.67	446.30	2,292.96
Provision for Sub Standard Assets	892.23	392.76	1,284.98
Provision for Doubtful Assets	131.96	262.47	394.44
Provision for Loss Assets	827.81	16.66	844.47
Provision for Loss Assets taken over from TVSFS	2,548.37	-	2,548.37
<b>As per Company Policy</b>			
Incremental Provision as per Company Norms	2,968.89	2,916.66	5,885.55
	<b>9,215.93</b>	<b>4,034.85</b>	<b>13,250.77</b>

## 7. TRADE PAYABLE

(Rs. In Lakhs)

Description	As at 31st March, 2018	As at 31st March, 2017
<b>TRADE PAYABLE</b>		
- Outstanding dues to Micro, Medium & Small Enterprises	-	-
- Others	7,830.38	9,346.57
	<b>7,830.38</b>	<b>9,346.57</b>

# SCHEDULES

(Rs. in Lakhs)

## 8. OTHER CURRENT LIABILITIES

Description	As at 31st March, 2018	As at 31st March, 2017
<b>OTHER CURRENT LIABILITIES</b>		
- Current maturities of Long-Term debts	112,879.55	117,565.94
- Interest accrued and due on Loans (@)	863.89	977.02
- Interest accrued but not due on Loans	901.84	219.90
- Income received in Advance	1,801.58	1,846.43
<b>OTHER PAYABLES</b>		
- Advance received from Borrowers	7,622.78	8,277.59
- Collection received from Borrowers	-	320.23
- Employee Related Liabilities	3,154.59	4,058.35
- Security Deposits	2,642.08	2,052.85
- Collections in respect of de-recognised assets (refer Note No.23.9)	1,814.90	3,456.29
- Advance Insurance premium collected from Borrowers	-	761.04
- Statutory Dues	1,619.66	569.55
	<b>133,300.87</b>	<b>140,105.19</b>

@ Funds are made available with banks which have been appropriated subsequently.

# SCHEDULES

## 9. FIXED ASSETS

(Rs. in Lakhs)

Sl.No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1-Apr-17	Additions 2017-18	Deductions 2017-18	As at 31-Mar-18	As at 1-Apr-17	For the year 2017-18	Deductions 2017-18	Total as at 31-Mar-18	As at 31-Mar-18	As at 31-Mar-17
	<b>Tangible Assets</b>										
1	Land	3,731.68	4,814.94	-	8,546.62	-	-	-	-	8,546.62	3,731.67
2	Building	45.00	-	-	45.00	4.59	0.75	-	5.34	39.66	40.41
3	Furniture & Fixtures	1,407.34	190.31	6.98	1,590.67	857.39	190.15	4.00	1,043.54	547.13	549.95
4	Office Equipments	1,012.61	429.74	81.08	1,361.27	669.76	253.86	69.20	854.42	506.85	342.85
5	Vehicles	3.15	-	-	3.15	0.94	0.30	-	1.24	1.91	2.21
6	Computers	1,984.98	374.53	248.23	2,111.28	1,301.56	429.43	248.23	1,482.76	628.52	683.42
	<b>Tangible Assets - TOTAL</b>	<b>8,184.76</b>	<b>5,809.52</b>	<b>336.29</b>	<b>13,657.99</b>	<b>2,834.24</b>	<b>874.49</b>	<b>321.43</b>	<b>3,387.30</b>	<b>10,270.69</b>	<b>5,350.51</b>

Sl.No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1-Apr-17	Additions 2017-18	Deductions 2017-18	As at 31-Mar-18	As at 1-Apr-17	For the year 2017-18	Deductions 2017-18	Total as at 31-Mar-18	As at 31-Mar-18	As at 31-Mar-17
	<b>Intangible Assets</b>										
1	Computer Software	787.57	143.72	-	931.29	614.44	123.29	-	737.73	193.56	173.13
	<b>Intangible Assets - TOTAL</b>	<b>787.57</b>	<b>143.72</b>	<b>-</b>	<b>931.29</b>	<b>614.44</b>	<b>123.29</b>	<b>-</b>	<b>737.73</b>	<b>193.56</b>	<b>173.13</b>

## 9. FIXED ASSETS

(Rs. in Lakhs)

Sl.No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1-Apr-16	Additions 2016-17	Deductions 2016-17	As at 31-Mar-17	As at 1-Apr-16	For the year 2016-17	Deductions 2016-17	Total as at 31-Mar-17	As at 31-Mar-17	As at 31-Mar-16
	<b>Tangible Assets</b>										
1	Land	2,842.37	889.30	-	3,731.67	-	-	-	-	3,731.67	2,842.37
2	Building	45.00	-	-	45.00	3.78	0.81	-	4.59	40.41	41.22
3	Furniture & Fixtures	1,171.63	235.71	-	1,407.34	653.01	204.37	-	857.38	549.95	518.62
4	Office Equipments	887.33	270.51	145.23	1,012.61	574.94	234.31	139.49	669.76	342.85	312.39
5	Vehicles	2.59	0.56	-	3.15	0.69	0.25	-	0.94	2.21	1.90
6	Computers	1,591.25	559.47	165.74	1,984.98	1,132.15	333.27	163.86	1,301.56	683.42	459.10
	<b>Tangible Assets - TOTAL</b>	<b>6,540.17</b>	<b>1,955.55</b>	<b>310.97</b>	<b>8,184.75</b>	<b>2,364.57</b>	<b>773.01</b>	<b>303.35</b>	<b>2,834.23</b>	<b>5,350.51</b>	<b>4,175.60</b>

Sl.No.	Particulars	GROSS BLOCK (AT COST)				DEPRECIATION BLOCK				NET BLOCK	
		As at 1-Apr-16	Additions 2016-17	Deductions 2016-17	As at 31-Mar-17	As at 1-Apr-16	For the year 2016-17	Deductions 2016-17	Total as at 31-Mar-17	As at 31-Mar-17	As at 31-Mar-16
	<b>Intangible Assets</b>										
1	Computer Software	633.65	153.91	-	787.56	516.67	97.76	-	614.43	173.13	116.97
	<b>Intangible Assets - TOTAL</b>	<b>633.65</b>	<b>153.91</b>	<b>-</b>	<b>787.54</b>	<b>516.67</b>	<b>97.76</b>	<b>-</b>	<b>614.43</b>	<b>173.13</b>	<b>116.97</b>



## INFINITE RESILIENCE

### CAN EVEN THE TOUGHEST CHALLENGE FEEL LIKE THE BIGGEST OPPORTUNITY?

For India Inc., it was not the best of years for business, but we made the most of the situation and emerged winners. **Business grew by 22%, assets under management rose by 23% and total income shot up by 20%.** And all this happened just by helping people to become more financially secure. So that their children can fearlessly see dreams which would have seemed just too far away.

# SCHEDULES

(Rs. in Lakhs)

## 10. NON CURRENT INVESTMENTS

Description	Subsidiary/ Associate	As at 31st March, 2018	As at 31st March, 2017
Investment in Equity Instruments: (Trade, unquoted) TVS Housing Finance Private Limited (1,20,00,000 equity shares @ Rs.10/- each fully paid up, PY - Nil)	Subsidiary	1,200.00	-
TVS Two Wheeler Mall Private Ltd (2,500 equity shares @ Rs.10/- each fully paid up, PY - Nil)	Subsidiary	0.25	-
TVS Commodity Financial Solutions Private Limited (2,500 equity shares @ Rs.10/- each fully paid up, PY - Nil)	Subsidiary	0.25	-
Harita ARC Private Limited (2,500 equity shares @ Rs.10 each fully paid up, PY - Nil)	Subsidiary	0.25	-
TVS Micro Finance Private Limited (2,500 equity shares @ Rs.10/- each fully paid up, PY - Nil)	Subsidiary	0.25	-
Harita Collection Services Private Limited (2,500 equity shares @ Rs.10/- each fully paid up, PY - Nil)	Subsidiary	0.25	-
		<b>1,201.25</b>	<b>-</b>

(a) Aggregate amount of quoted investments and  
market value thereof

-

-

(b) Aggregate amount of unquoted investments

1,201.25

-

# SCHEDULES

## 11. LOANS AND ADVANCES - UNSECURED (UNLESS OTHER-WISE STATED), CONSIDERED GOOD

(Rs. in Lakhs)

Description	LONG TERM		SHORT TERM	
	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2018	As at 31st March, 2017
Capital Advances	150.53	4.08	-	-
Balance with GST/Service Tax Department	-	-	653.32	60.03
<b>Others:</b>				
Advance Tax/Tax deducted at source - (Net of Provision)	527.47	-	142.30	-
Prepaid Expenses	103.01	101.37	768.24	695.12
Rent Advance	711.41	556.48	-	-
Staff Advance	175.40	107.41	400.66	148.56
Deposit with Service Providers	154.68	123.39	0.47	1.17
Vendor Advance	-	-	161.77	92.22
Loans and Advances - Related Parties	-	-	674.34	479.04
Loans and Advances - Non Related Parties	-	-	715.70	50.79
	<b>1,822.50</b>	<b>892.73</b>	<b>3,516.80</b>	<b>1,526.93</b>

## 12. OTHER NON CURRENT ASSETS (CONSIDERED GOOD)

(Rs. in Lakhs)

Description	LONG TERM	
	As at 31st March, 2018	As at 31st March, 2017
Others - Receivable from Holding Company towards sale of Investments (vide Note No.23.4)	17,170.13	22,017.00
<b>Total</b>	<b>17,170.13</b>	<b>22,017.00</b>
Secured	5,215.13	10,062.00
Unsecured	11,955.00	11,955.00
<b>Total</b>	<b>17,170.13</b>	<b>22,017.00</b>

# SCHEDULES

## 13. RECEIVABLES FROM FINANCING ACTIVITY

(Rs. in lakhs)

Description	NON CURRENT		CURRENT	
	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2018	As at 31st March, 2017
<b>Secured</b>				
Automobile Financing	261,807.37	220,259.25	297,247.65	260,188.21
Other Financing	19,651.35	-	24,626.16	-
Instalments due from borrowers (Automobile and Other financing)	-	-	8,595.51	6,615.56
<b>Unsecured</b>				
Other Financing	977.15	141.86	2,266.24	253.79
Trade Advance and Term loan	-	-	6,731.13	6,242.40
	<b>282,435.87</b>	<b>220,401.11</b>	<b>339,466.69</b>	<b>273,299.96</b>
<b>Of the above :</b>				
Considered Good	272,601.14	213,117.67	331,325.56	267,757.97
Considered -				
Sub Standard Assets	8,842.59	6,188.98	4,007.36	2,733.36
Doubtful Assets	822.31	430.63	910.76	96.28
Loss Assets	169.83	663.83	3,223.01	2,712.35
(Non Performing Assets as per RBI Prudential Norms)				
	<b>282,435.87</b>	<b>220,401.11</b>	<b>339,466.69</b>	<b>273,299.96</b>

- a) The stock of loan (automobile finance) includes 11,455 nos. (Previous year 11,097 nos.) repossessed vehicles as at Balance Sheet date.
- b) Automobile financing is secured by hypothecation of vehicles supported by Registration Certificate book issued by Regional Transport Officer and undertaking given by the borrower to register the vehicle with RTO.

Details of Registration in Process or Registration No. not available

Product	2017-18		2016-17	
	Nos	Receivable Value	Nos.	Receivable Value
		(Rs. in Lakhs)		(Rs. in Lakhs)
Two-Wheeler	195,33.5	67,678.45	125,292	39,691.79
Used Car	6,755	21,508.59	2,462	7,510.64
Tractor	5,679	18,322.89	4,581	15,157.27
Used Tractor	-	-	4,560	7,242.45

- c) The provisions created as per RBI Prudential Norms and as per Company Policy in respect of the above balances are shown under the head long-term and short-term provisions (Vide Note No.6)
- d) Loss assets includes receivables taken over from Chennai Business Consulting Services Limited, (erstwhile TVS Finance and Services Limited) as part of Business Transfer Agreement dated 21st April, 2010 to the extent of Rs. 2,548.37 lakhs, fully provided.



# SCHEDULES

## 14. TRADE RECEIVABLES - UNSECURED, CONSIDERED GOOD

(Rs. in Lakhs)

Description	As at 31st March, 2018	As at 31st March, 2017
- Due for a period exceeding six months from the Due dates	1,499.93	805.54
- Others	166.28	139.09
	<b>1,666.21</b>	<b>944.63</b>

## 15. CASH AND BANK BALANCES

(Rs. in Lakhs)

Description	As at 31st March, 2018	As at 31st March, 2017
<b>Cash and cash equivalents</b>		
<b>Balances with banks</b>		
- In Current Account	470.04	5,793.80
<b>Cash on hand *</b>	2,787.14	418.70
<b>Other bank balances</b>		
- Fixed deposits, (period exceeding 3 months and less than 12 months) <sup>@</sup>	5,411.94	9,143.36
	<b>8,669.12</b>	<b>15,355.86</b>

\* Represents cash collected from borrowers as on Balance Sheet date, deposited with Bank subsequently in the process of being deposited

@ Includes Fixed Deposit of Rs.5,363.93 lakhs offered as Cash Collateral and lien marked favouring SPV (Note No.23.18.2-a)

## 16. OTHER CURRENT ASSETS

(Rs. in Lakhs)

Description	As at 31st March, 2018	As at 31st March, 2017
Interest accrued on Fixed Deposits with Bank	8.59	54.46
Discount on Commercial Paper	598.53	796.09
	<b>607.12</b>	<b>850.55</b>

# SCHEDULES

## 17. REVENUE FROM OPERATIONS

(Rs. in Lakhs)

Description	Year ended 31st March, 2018	Year ended 31st March, 2017
<b>Income from Financing Activity</b>		
<b>(i) Interest</b>		
- Automobile & Other Finance	104,204.51	83,164.69
- Interest spread on Securitisation/Assignment	1,769.60	4,411.99
- on Deposits - Cash Collateral towards assets de-recognised	421.48	582.31
<b>(ii) Other Operating Revenue</b>		
- Automobile & Other Finance		
- Processing Fee	21,381.42	18,517.31
- Fee based income	3,720.91	3,452.24
- Other Service Income	1,753.46	948.02
	<b>133,251.38</b>	<b>111,076.56</b>

## 18. OTHER INCOME

(Rs. in Lakhs)

Description	Year ended 31st March, 2018	Year ended 31st March, 2017
<b>Interest Income on Staff</b>		
Advance	22.56	18.69
Bad Debts Recovered	763.44	382.45
Other Non Operating Income	5.14	1.36
	<b>791.14</b>	<b>402.50</b>

# SCHEDULES

## 19. FINANCE COST

(Rs. in Lakhs)

Description	Year ended 31st March, 2018	Year ended 31st March, 2017
<b>Interest Expenses</b>		
- Bank Loans	28,286.21	24,269.99
- FIs	427.46	726.82
- NBFCs	2,758.19	2,851.39
- Others	32.39	1.61
<b>Other Borrowing Cost</b>		
- Discount on Commercial Papers	5,551.67	4,662.11
- Amortisation of Line of Credit Charges	458.76	176.45
- Bank Charges	1,197.33	1,046.38
- Hedge Cost	1,923.74	940.15
	<b>40,635.75</b>	<b>34,674.90</b>

## 20. EMPLOYEE BENEFIT EXPENSES

(Rs. in Lakhs)

Description	Year ended 31st March, 2018	Year ended 31st March, 2017
Salaries and Allowances	27,195.13	24,551.35
Contribution to Provident and other funds	2,208.89	2,025.49
Staff Welfare	1,443.88	1,585.13
	<b>30,847.90</b>	<b>28,161.97</b>

# SCHEDULES

## 21. OTHER OPERATING EXPENSES

(Rs. in Lakhs)

Description	Year ended 31st March, 2018	Year ended 31st March, 2017
Rent <sup>2</sup>	1,573.99	1,328.52
Insurance	583.80	502.72
Travelling and Conveyance	2,602.91	2,944.47
Communication Expenses	3,416.97	2,268.01
Rates and Taxes	434.27	329.28
Payment to Auditor:		
Statutory Audit <sup>1</sup>	25.13	22.40
Tax Audit <sup>1</sup>	7.45	5.31
Certification	4.91	4.31
Reimbursement of Expenses	1.70	0.94
Consultancy Fees	3,949.05	3,538.19
Electricity Charges	254.01	227.45
Discard of Fixed Assets	14.86	7.62
Donation	455.90	535.21
Other Expenses	1,590.21	1,239.44
	<b>14,915.16</b>	<b>12,953.87</b>

- Includes taxes of earlier year.
- Disclosure requirement under AS 19 - Accounting for leases is given below:  
The Company has taken commercial premises and amenities under cancellable and non-cancellable operating leases. The lease agreements are normally renewable on expiry

(Rs. in Lakhs)

Description	2017-18	2016-17
Less than 1 year	593.18	950.17
Between 1 year and 5 years	1,596.75	1,899.53
More than 5 years	2,465.47	56.91

# SCHEDULES

## 22. PROVISIONS AND LOAN LOSSES

(Rs. in Lakhs)

Description	Year ended 31st March, 2018	Year ended 31st March, 2017
Provision for Non-Performing Assets (Refer Note 6A)	3,588.57	1,829.86
Provision for Standard Assets (Refer Note 6A)	446.30	507.66
Loss on sale of Repossessed Assets	5,294.84	2,518.98
Bad Debts Written Off	5,416.14	3,934.74
	<b>14,745.85</b>	<b>8,791.24</b>

**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

**1. CAPITAL COMMITMENTS**

(Rs. in Lakhs)

Description	31st March, 2018	31st, March, 2017
Estimated amount of contracts remaining to be executed on Capital Account not provided for	146.56	4.08

**2. OTHER COMMITMENTS**

Description	31st March, 2018	31st, March, 2017
Undrawn Loans sanctioned to borrowers	3,608.89	343.30

**3. CONTINGENT LIABILITIES NOT PROVIDED FOR**

Claims against the Company not acknowledged as debts.

Description	31st March, 2018	31st, March, 2017
Disputed Income Tax Demand (adjusted out of refunds)	106.63	105.99
Disputed Service Tax Demand inclusive of Penalty – Commissioner order appealed against by Company during FY 2017-18 (Pre-deposit of Rs.15.29 lakhs)	407.83	407.83
Legal cases filed by borrowers against the Company	130.31	196.14

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

- Pursuant to a Business Transfer Agreement (BTA) entered into with TVS Finance and Services Limited (TVSFS) on 21st April, 2010, the Company acquired the retail finance business of TVSFS as a going concern along with the related assets (comprising fixed assets, receivables, loans

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

and advances and Bank balances) of Rs. 5,075.51 lakhs and liabilities (comprising borrowings from Banks and Institution, current liabilities and provisions) of Rs. 29,875.51 lakhs. TVSFS issued Unsecured Redeemable Bonds to the Company, for the excess of liabilities over assets of Rs. 24,800.00 lakhs. The bonds are redeemable between 7th and 12th year from the date of allotment. The said bonds have been purchased by TVS Motor Services Limited (TVSMS), the Holding Company, during FY 2010-11 at book value and the same is repayable by TVSMS in 6 years. Rs. 4,133.33 lakhs is instalment due in FY 2017-18. TVSMS has discharged this liability, by transfer of land owned by TVSMS and other payments received from them aggregating to Rs.2,783 lakhs during the earlier years and Rs. 4,846.87 lakhs by way of transfer of land owned by TVSMS and other payments received during current year. Accordingly, the receivables from TVSMS to the Company stands at Rs. 17,170.13 lakhs, as on year end. The receivables, arising out of sale of land, from TVSMS is partly secured (being created) by the land owned by TVSMS receivables, whose book value is Rs.5,215.13 lakhs (PY Rs. 10,062 lakhs). Considering the intrinsic value of land lying with TVSMS and the equity shares held by TVSMS in the Company, the unsecured amount Rs.11,955 lakhs (PY – Rs. 11,955 lakhs) is considered good and recoverable.

### 5. THE BREAK-UP OF DEFERRED TAX (ASSETS)/LIABILITIES ARE AS UNDER:

(Rs. in lakhs)

Timing Differences	Balance as at 01.04.2017	For the Year	Balance as at 31.03.2018
<b>Deferred Tax Asset</b>			
Provision for Compensated Absence	(177.01)	(91.63)	(268.64)
Provision for Bad and Doubtful Debts	(2,014.94)	(1,336.27)	(3,351.21)
Provision for Pension	(317.06)	(33.17)	(350.23)
Fixed Assets – Depreciation	(324.66)	(120.91)	(445.57)
<b>Net Deferred Tax Asset</b>	<b>(2,833.67)</b>	<b>(1,581.98)</b>	<b>(4,415.65)</b>

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

6. GRATUITY & COMPENSATED ABSENCE

Details of Defined benefit plan for gratuity and Compensated absence, as per Actuarial Valuation Report, is as follows:

(Rs. in lakhs)

Particulars	Gratuity		Compensated Absence	
	2017-18	2016-17	2017-18	2016-17
Present value of defined benefit obligations at beginning of the year	698.60	433.18	520.44	358.12
Current service cost	181.47	93.62	18.84	14.43
Interest cost	48.90	33.57	36.43	24.84
Actuarial (gains) / losses	74.19	138.23	384.85	198.34
Benefits paid	-	-	(95.89)	(75.29)
<b>Present value of defined benefit obligations at end of the period</b>	<b>1,003.16</b>	<b>698.60</b>	<b>864.66</b>	<b>520.44</b>
<b>Changes in Plan Assets</b>				
Fair value of the plan assets at the beginning of the year	596.56	377.16	-	-
Acquisition adjustments	-	-	-	-
Expected return on plan assets	48.02	41.95	-	-
Contributions	-	212.21	95.89	75.29
Benefits paid	-	(18.38)	(95.89)	(75.29)
Actuarial gain/ (loss) on plan assets	(0.30)	(16.37)	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>644.28</b>	<b>596.57</b>	<b>-</b>	<b>-</b>
<b>Amount recognised in the Balance Sheet under Note No. 6</b>				
Present value of funded defined benefit obligations at end of the year	1,003.16	698.60	864.66	520.44
Fair value of plan assets at end of year	644.29	596.56	-	-
Funded status	(358.87)	(102.03)	-	-



23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

(Rs. in lakhs)

Particulars	Gratuity		Compensated Absence	
	2017-18	2016-17	2017-18	2016-17
Net (liability) /asset recognised in balance sheet at end of the year	(358.87)	(102.03)	(864.66)	(520.44)
<b>Expense recognised in income statement</b>	-	-		
Current service cost	181.47	93.62	18.84	14.43
Interest cost	48.90	32.86	36.43	24.84
Expected return on plan assets	(48.02)	(41.95)	-	-
Curtailment cost / (credit)	-	-	-	-
Settlement cost / (credit)	-	-	-	-
Actuarial (gains) /losses	74.49	(16.37)	384.84	123.04
<b>Expense recognised in the statement of Profit &amp; Loss A/c</b>	<b>256.84</b>	<b>68.16</b>	<b>440.12</b>	<b>162.31</b>
<b>Assumptions</b>				
Discount rate	6.88% p.a.	7.00% p.a.	6.88% p.a.	7.00% p.a.
Interest rate	8.05% p.a.	8.05% p.a.	0.00% p.a.	0.00% p.a.
(Rate of return on assets)				
Future salary increase	6.00% p.a.	6.00% p.a.	6.00% p.a.	6.00% p.a.
Attrition rate	3.00% p.a.	2.00% p.a.	3.00% p.a.	2.00% p.a.



## INFINITE AMBITION

**CAN WE SEE NEW HORIZONS EVERY DAY, AND MAKE THEM ALL OUR OWN?**

Until we **launched our Used Commercial Vehicle Loans** earlier this year, owning a truck was an achievement that most drivers would have not even thought possible. Our launch has made it easy for drivers who are, in the truest sense, 'driven', to take charge of their own destiny and make the world look up to them. Started in the South for now, we plan to take this product all-India.

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

(Rs. in lakhs)

Actuarial (gain)/loss on Obligation	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Experience adjustment	71.57	144.80	29.36	(40.09)	(11.57)
Assumption change	2.62	12.54	12.63	47.81	21.80
<b>Total</b>	<b>74.19</b>	<b>157.34</b>	<b>41.99</b>	<b>7.72</b>	<b>10.23</b>
<b>Actuarial (gain) / loss on plan assets</b>					
Experience adjustment	(0.30)	(16.37)	(16.51)	(8.54)	-
Assumption change	-	-	-	-	-
<b>Total</b>	<b>(0.30)</b>	<b>(16.37)</b>	<b>(16.51)</b>	<b>(8.54)</b>	<b>-</b>
<b>Estimated contribution next year</b>					
Present value of funded defined benefit obligations at end of the year	320.91	206.31	184.76	99.08	14.40
Fair value of plan assets at end of the year	1,003.16	698.60	433.18	345.99	230.49
	644.29	596.56	377.16	96.32	55.60
<b>Net (liability) /asset recognised in balance sheet at end of the year</b>	<b>(358.87)</b>	<b>(102.03)</b>	<b>(56.02)</b>	<b>(249.67)</b>	<b>(174.90)</b>

## 7. EARNINGS PER SHARE (EPS)

Particulars		2017-18	2016-17
Profit/(loss) after Tax for Basic EPS	Rs. in lakhs	11,402.43	8,752.28
Weighted average number of equity shares used in computing basic earnings per share	Nos.	16,25,91,134	13,22,96,396
Face value of equity shares	Rupees	10.00	10.00
<b>Basic Earnings per Share</b>	<b>Rupees</b>	<b>7.01</b>	<b>5.83</b>
Profit after Tax for Basic EPS	Rs. in lakhs	11,402.43	8,752.28
Loss after Tax for Diluted EPS	Rs. in lakhs	11,402.43	8,752.28
Weighted average number of equity shares used in computing basic earnings per share	Nos.	16,25,91,134	15,00,69,597
Weighted average number of equity shares in computing diluted earnings per share	Nos.	16,25,91,134	15,00,69,597
<b>Diluted Earnings per Share</b>	<b>Rupees</b>	<b>7.01</b>	<b>5.83</b>

8. During the year, Company has acquired without recourse through assignment agreements, Portfolio of Rs. Nil (Previous year Rs. Nil) for a consideration of Rs. Nil (Previous year Rs. Nil). Accounting for the same is in line with the receivable from financing activity.

**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

9. As at the balance sheet date, the Company has received dues of Rs.1,814.90 lakhs (PY - Rs. 3,456.29 lakhs), arising out of the assigned/securitised asset and the same is held as "payable to the Bank" and shown under Other Current Liabilities (Note No. 8).

**10. DISCLOSURE IN RESPECT OF RELATED PARTIES PURSUANT TO  
ACCOUNTING STANDARD 18:**

<b>Nature of Relationship</b>	<b>Parties Name</b>
Reporting Enterprise	TVS Credit Services Limited
Holding Company	TVS Motor Services Limited TVS Motor Company Limited Sundaram Clayton Limited
Ultimate Holding Company	TV Sundram Iyengar & Sons Private Limited
Subsidiaries	TVS Housing Finance Private Limited Harita ARC Private Limited TVS Two Wheeler Mall Private Limited TVS Micro Finance Private Limited Harita Collection Services Private Limited TVS Commodity Financial Solutions Private Limited
Fellow Subsidiaries	Sundaram Auto Components Limited TVS Housing Limited TVS Motor Company (Europe) B.V. TVS Motor (Singapore) Pte Limited PT. TVS Motor Company Sundaram Holdings USA Inc Green Hills Land holding LLC Component Equipment Leasing LLC Sundaram-Clayton USA LLC Premier Land Holding LLC Southern Roadways Limited Sundaram Industries Private Limited Lucas TVS Limited Lucas Indian Service Limited TVS Electronics Limited The Associated Auto Parts Private Limited, TVS Interconnect Systems Private Limited, TVS Automobile Solutions Private Limited, Autosense Private Limited (Formerly TVS All Car Services Private Limited) Carcrew Technology Private Limited TVS Investments Private Limited Sundaram Lanka Tyres Limited Pusam Rubber Products Limited Uthiram Rubber Products Limited TVS Elastomeric Engineered Products Private Limited

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

Nature of Relationship	Parties Name
Fellow Subsidiaries	NK Telecom Products Limited Rajgarhia Automobile Solution Limited Essex Automobile Solutions Limited TVS Insurance Broking Limited Focuz Automobile Services Limited Myers Tyre Supply (India) Limited NCR Auto Cars Limited TVS TWG Warranty Solutions Limited TVS Auto Assist (India) Limited Focuz Parts Mart Limited Storeji Private Limited Jai and Sons Private Limited Scudaria Car Parts Limited TVS Europe Distribution Limited Europe Africa Distribution Limited TVS Distribution and Services Middle East FZE Universal Components Wrea Hurst Parts Distribution Ltd Universal Components USA Inc Kellett (UK) Ltd Universal Components UK (Corporate Trustee) Ltd Reflected Light Ltd Pollard Beaumont Ltd European Truck and Trailer Ltd Jiaxing Yousi Automobile Components Company Limited TVS EPD Otomotiv San Ve Tic Limited UC Africa (Pty) Limited (Formerly Africa Truck Distribution Holdings Pty Ltd) Africa Truck Distributors Pty Ltd TVS Automotive Systems Limited Sundaram Clayton (USA) Limited TVS Capital Funds Private Limited TVS Wealth Private Limited Prime Property Holdings Limited Sundaram Textiles Limited TVS Training and Services Limited

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

### Transactions with the Related Parties:

Transaction with Related Parties for the Year Ended 31st March, 2018

(Rs. in lakhs)

Sl. No.	Name of the Related Party	Nature of Transactions	Amount	Amount
			2017-18	2016-17
1	TVS Motor Services Ltd (Holding Company)	Advance received	4,400.89	445.98
		<b>Balance outstanding (Dr.)</b>	<b>17,170.13</b>	<b>21,571.02</b>
2	TVS Motor Company Limited (Holding Company)	Contribution towards equity share capital	987.16	1,065.57
		Contribution towards security premium	6,512.69	5,434.41
		Services Rendered	548.64	276.46
		Advance Received	840.81	1,060.48
		<b>Balance outstanding (Dr.)</b>	<b>395.89</b>	
3	PHI Capital Services Private Limited	Contribution towards equity share capital	-	155.84
		Contribution towards security premium	-	794.78
		Professional Charges	-	1,566.42
		<b>Balance outstanding</b>	<b>-</b>	<b>-</b>
4	Sundaram Clayton Ltd (Holding Company)	EMI Payment	2.36	-
		Services Rendered	271.62	-
		<b>Balance outstanding (Dr.)</b>	<b>53.78</b>	<b>-</b>
5	Sundaram Auto Components Ltd (Fellow Subsidiary)	EMI Payment	7.37	-
		Advance Received	266.79	-
		<b>Balance outstanding (Dr.)</b>	<b>314.68</b>	<b>-</b>
6	Harita ARC Private Limited (Subsidiary)	Investments in Equity	0.25	-
		Reimbursement of Expenses	0.21	-
		<b>Balance outstanding (Dr.)</b>	<b>0.21</b>	<b>-</b>
7	TVS Two Wheeler Mall Private Ltd (Subsidiary)	Investments in Equity	0.25	-
		Reimbursement of Expenses	0.20	-
		<b>Balance outstanding (Dr.)</b>	<b>0.20</b>	<b>-</b>
8	TVS Micro Finance Private Ltd (Subsidiary)	Investments in Equity	0.25	-
		Reimbursement of Expenses	0.20	-
		<b>Balance outstanding (Dr.)</b>	<b>0.20</b>	<b>-</b>

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

(Rs. in lakhs)

Sl. No.	Name of the Related Party	Nature of Transactions	Amount	Amount
			2017-18	2016-17
9	Harita Collection Services Private Limited (Subsidiary)	Investments in Equity	0.25	-
		Reimbursement of Expenses	0.21	-
		<b>Balance outstanding (Dr.)</b>	<b>0.21</b>	<b>-</b>
10	TVS Commodity Financial Solutions Private Limited (Subsidiary)	Investments in Equity	0.25	-
		Reimbursement of Expenses	0.21	-
		<b>Balance outstanding (Dr.)</b>	<b>0.21</b>	<b>-</b>
11	TVS Housing Finance Private Limited (Subsidiary)	Investments in Equity	1,200.00	-
		Reimbursement of Expenses	10.62	-
		<b>Balance outstanding (Dr.)</b>	<b>10.62</b>	<b>-</b>

Note: Related party relationships are as identified by the management and relied upon by auditor.

## 11. SEGMENT REPORTING

The Company is primarily engaged in the business of "Financial Services". All activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such, there are no separate reportable segments as per AS-17 "Segmental Reporting".

## 12. EXPENDITURE IN FOREIGN CURRENCY

(Rs. in lakhs)

Description	2017-18	2016-17
Interest on Foreign Currency Loan	1,356.01	527.32
Professional and Consultancy Fees (including Software as a Service)	77.22	63.85
Other Matters	39.81	-

## 13. EARNINGS IN FOREIGN CURRENCY

(Rs. in lakhs)

Description	2017-18	2016-17
Earnings in Foreign Currency	-	-

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

14. The Company has sought information from suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 which is pending. In view of this, information required under Schedule III of the Companies Act, 2013 is not furnished.
15. In opinion of the Management, the Current Assets, Loans & Advances have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated in the balance sheet.
16. The Company has the process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, Company has reviewed and ensured that adequate provision as required under any law/accounting standard for material foreseeable losses on such long-term contracts has been made in the books of accounts.

### 17. EXPENDITURE INCURRED ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES:

- a. Gross amount required to be spent during the year is Rs.175 lakhs.
- b. Amount spent during the year:

(Rs. in lakhs)

S.No.	Particulars	In cash	Yet to be paid in cash	2017-18	2016-17
1	Construction/acquisition of any asset	-	-	-	-
2	Expenses incurred through trusts	-	-	175.00	90.00



**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

**18.1. Disclosure pursuant to Reserve Bank of India Notification DBNS.193DG (VL) – 2007 dated February 22, 2007**

(As required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(Rs. in lakhs)

S. No.	Description	Amount Outstanding	Amount Overdue
		as at 31st March, 2018	
	<b>Liabilities</b>		
<b>1</b>	<b>Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>		
A	Debentures	-	-
	- Secured	-	-
	- Unsecured (other than falling within the meaning of public deposits)	10,000.00	-
B	Deferred Credits	-	-
C	Term Loans (including Subordinated Debt)	3,49,376.12	-
D	Inter-corporate loans and borrowings	-	-
E	Commercial paper	40,000.00	-
F	Other loans - (Cash Credit)	1,34,914.17	-
	<b>Total</b>	<b>5,34,290.29</b>	<b>-</b>
	<b>Assets</b>		
<b>2</b>	<b>Break-up of loans and advances including bills receivable (other than those included in (4) below):</b>		
(a)	Secured	6,11,928.03	-
(b)	Unsecured considered good	15,313.82	-
<b>3</b>	<b>Break-up of leased assets and stock on hire and other assets counting towards AFC activities:</b>		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial lease	-	-
	(b) Operating lease	-	-
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire	-	-
	(b) Repossessed assets	-	-
	(iii) Other Loan counting towards AFC activities:		
	(a) Loans where assets have been repossessed	-	-
	(b) Loans other than (a) above	-	-
	<b>Total</b>	<b>6,27,241.85</b>	

**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

(Rs. in lakhs)

S. No.	Description	Amount Outstanding	Amount Overdue
		as at 31st March, 2018	
<b>4</b>	<b>Current Investments:</b>		
	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	-	-
	(iv) Government securities	-	-
	(v) Others (Please specify)	-	-
	<b>Long-Term Investments:</b>		
	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	1,201.25	-
	(b) Preference	-	-
	(ii) Debentures and bonds	-	-
	(iii) Units of mutual funds	-	-
	(iv) Government securities	-	-
	(v) Others (Pass through certificates - securitisation)	-	-
	<b>Total</b>	-	-

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

(Rs. in lakhs)

<b>5 BORROWER GROUP-WISE CLASSIFICATION OF ASSETS FINANCED AS IN (2) AND (3) ABOVE</b>				
	Category	Amount (Net of provisions for non-performing assets)		
		Secured	Unsecured	Total
	1. Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	76.24	-	76.24
	(c) Other related parties	-	-	-
	2. Other than related parties	6,06,855.77	15,313.82	6,22,169.59
	<b>Total</b>	<b>6,06,932.01</b>	<b>15,313.82</b>	<b>6,22,245.83</b>

<b>6 INVESTOR GROUP-WISE CLASSIFICATION OF ALL INVESTMENTS (CURRENT AND LONG TERM) IN SHARES AND SECURITIES (BOTH QUOTED AND UNQUOTED)</b>			
	Category	Market value / Break-up or fair value of NAV	Book value (Net of provisions)
1	Related parties	1,201.25	1,201.25
	(a) Subsidiaries	-	-
	(b) Companies in the same group	-	-
	(c) Other related parties	-	-
2	Other than related parties	-	-

<b>7</b>	<b>OTHER INFORMATION</b>	<b>Amount</b>
(i)	Gross non-performing assets	
	(a) Related parties	-
	(b) Other than related parties	17,975.86
		<b>17,975.86</b>
(ii)	Net non-performing assets	
	(a) Related parties	-
	(b) Other than related parties	12,903.59
		<b>12,903.59</b>
(iii)	Assets acquired in satisfaction of debt	-

Disclosure pursuant to Reserve Bank of India Notification RBI/2014-15/299 DNBR (PD) CC.No.002/03/10/001/2014-15 dated November 10, 2014

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

**A. CAPITAL ADEQUACY RATIO**

(Rs. in lakhs)

Description	2017-18	2016-17
Tier I Capital	78,252.26	63,724.00
Tier II Capital	40,242.69	31,313.31
<b>Total Capital</b>	<b>1,18,494.95</b>	<b>95,037.31</b>
Total Risk Weighted Assets	<b>6,40,660.07</b>	<b>5,19,485.02</b>
<b>Amount of Subordinated Debt as Tier II Capital (Discounted Value)</b>	31,245.00	28,490.00
<b>Capital Ratios</b>		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	12.21%	12.27%
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	6.28%	6.03%
<b>Total (%)</b>	<b>18.50%</b>	<b>18.29%</b>
Amount of perpetual debt raised and qualifying as Tier I capital during the year	7,218.43	-
Amount of subordinated debt raised and qualifying as Tier II capital during the year	12,781.57	15,000.00

**B. INVESTMENTS**

(Rs. in lakhs)

S. No.	Description	2017-18	2016-17
<b>1</b>	<b>Value of Investments</b>		
	i) Gross value of investments		
	a) In India	1,201.25	-
	b) Outside India	-	-
	ii) Provision for depreciation		
	a) In India	-	-
	b) Outside India	-	-
	iii) Net value of investments		
	a) In India	1,201.25	-
	b) Outside India	-	-
<b>2</b>	<b>Movement of provisions held towards depreciation on investments</b>		
	i) Opening balance	-	-
	ii) Add: Provisions made during the year	-	-
	iii) Less: Write off / write back of excess provisions during the year	-	-
	iv) Closing balance	-	-

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

C. EXPOSURE TO REAL ESTATE SECTOR, BOTH DIRECT AND INDIRECT

(Rs. in lakhs)

Description	2017-18	2016-17
<b>(a) Direct/Exposure</b> (net of advances from customers)		
<b>(i) Residential Mortgages -</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	–	–
- Individual housing loans up to Rs. 15 lakhs		
- Individual housing loans more than Rs. 15 lakhs	–	–
<b>(ii) Commercial Real Estate -</b>	–	–
Lending secured by mortgages on commercial real estates (office building, retails space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc.)	–	–
- Fund based	–	–
- Non-fund based		
<b>(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures-</b>	–	–
a. Residential	–	–
b. Commercial Real Estate	–	–
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFC's)	1,200.00	–

Note: The above summary is prepared based on the information available with the Company and relied upon by the auditors.

**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

**D. EXPOSURE TO CAPITAL MARKET**

(Rs. in lakhs)

#	Description	2017-18	2016-17
(i)	Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	–	–
(ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity-oriented mutual funds	–	–
(iii)	Advances for any other purpose where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken a primary security	–	–
(iv)	Advances for any other purpose 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 stock brokers and guarantees issued on behalf of stock brokers 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)	–	–

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

**E. ASSET LIABILITY MANAGEMENT MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES**

(Rs. in lakhs)

Time of Buckets	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Up to 1 month	5,411.94	49,828.67	-	4,285.43	-	-
Over 1 month up to 2 months	-	32,297.28	-	7,436.36	-	-
Over 2 months up to 3 months	-	33,951.68	-	20,344.69	-	2,187.50
Over 3 months up to 6 months	-	81,846.43	-	70,559.10	-	2,187.50
Over 6 months & up to 1 year	-	1,41,771.22	-	2,38,033.86	-	4,375.00
Over 1 year up to 3 years	-	2,48,438.45	1,201.25	1,11,130.84	-	23,750.00
Over 3 years up to 5 years	-	33,943.86	-	30,000.00	-	-
Over 5 years	-	91.99	-	20,000.00	-	-
<b>Total</b>	<b>5,411.94</b>	<b>6,22,169.58</b>	<b>1,201.25</b>	<b>5,01,790.28</b>	<b>-</b>	<b>32,500.00</b>

**F. DISCLOSURE OF FRAUDS REPORTED DURING THE YEAR VIDE DNBS.PD.CC NO. 256/03.10.042/2011-12 DATED 2<sup>ND</sup> MARCH, 2012**

(Rs. in lakhs)

#	Category	Less than Rs.1 lakh		Rs.1 to Rs.5 lakhs		Total	
		Count	Value	Count	Value	Count	Value
A	<b>Person Involved</b>						
	Staff	47	18.81	33	118.37	80	137.18
	Customers/Showroom Managers	-	-	-	-	-	-
	<b>Staff and Customers</b>	<b>47</b>	<b>18.81</b>	<b>33</b>	<b>118.37</b>	<b>80</b>	<b>137.18</b>
B	<b>Type of Fraud</b>						
	Misappropriation and criminal breach of trust	-	-	-	-	-	-
	Fraudulent encashment / manipulation of books of accounts	47	18.81	33	118.37	80	137.18
	Unauthorised credit facility extended	-	-	-	-	-	-
	Cheating and forgery	-	-	-	-	-	-
	<b>Total</b>	<b>47</b>	<b>18.81</b>	<b>33</b>	<b>118.37</b>	<b>80</b>	<b>137.18</b>

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

Out of the above, Rs.56.38 lakhs has been recovered and the Company has made provision for the balance recoverable. The above information is prepared based on the information available with the Company and relied upon by the Auditors.

### 18.2 NOTE ON SECURITISATION

**a. Disclosure pursuant to Reserve Bank of India Notification  
DNBS.PD.No.301/3.10.01/2012-13 dated August 21, 2012 and DNBR (PD)  
CC.No.0029/03.10.001/2014-15 dated 10th April, 2015**

During the year, the Company has without recourse securitised on 'at Par' basis through Pass Through Certificate (PTC) route, and derecognised the said loan receivables from the books. In terms of the accounting policy stated in Note No.1 (g), securitisation income is recognised as per RBI guidelines dated 21st August, 2012

(Rs. in lakhs)

S. No.	Description	2017-18	2016-17
1	No. of SPVs sponsored by the NBFC for securitisation transactions	6 nos.	10 nos.
2	Total amount of securitised assets as per books of the SPVs sponsored by NBFC's	15,609.98	21,715.44
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet:		
	a) Off-balance sheet exposures		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	- First loss (cash collateral term deposits with banks) (refer Note No.15)	3,775.16	7,790.89
	- Second Loss	1,588.76	1,335.22
	- Others	-	-





## INFINITE CARING

### CAN WE GIVE OUR LOVED ONES MORE THAN EVEN WE DREAMED OF?

Our customers are family to us, and we go to great lengths to get closer to them. For instance, we launched the **TVS Credit Saathi App** so that every interaction could be an easy, delightful one. To give our customers world-class quality, we also received **Quality ISO 9001/2008 and ISMS 27001/2013 Certification** for all processing hubs and central operations.

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

(Rs. in lakhs)

S. No.	Description	2017-18	2016-17
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Loss	-	-
	ii) Exposure to third-party securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	- First loss	-	-
	- Others		-
	ii) Exposure to third-party securitisations		
	- First loss	-	-
	- Others	-	-

- b. The value of “excess interest spread receivable” and “unrealised gain” on securitisation transactions undertaken in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21st August, 2012 are given below:

(Rs. in lakhs)

S. No.	Description	2017-18		2016-17	
		Non-Current	Current	Non-Current	Current
1	Excess interest spread receivable	1,267.36	639.86	1,103.04	2,348.43
2	Unrealised gain on securitisation transactions	1,267.36	639.86	1,103.04	2,348.43

**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

**c. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction**

(Rs. in lakhs)

Description	2017-18	2016-17
No. of accounts	-	-
Aggregate value (net of provisions) of accounts sold to SC/RC	-	-
Aggregate consideration	-	-
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain / loss over net book value	-	-

**d. Details of Assignment Transactions undertaken by NBFCs**

(Rs. in lakhs)

Description	2017-18	2016-17
No. of accounts	2,16,478	2,16,478
Aggregate value (net of provisions) of accounts sold	57,716.33	57,716.33
Aggregate consideration	57,716.33	57,716.33
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain / loss over net book value	-	-

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

18.3 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA NOTIFICATION DNBR (PD) CC.  
NO.0029/03.10.001/2014-15 DATED 10<sup>TH</sup> APRIL, 2015

A. MOVEMENT OF NON PERFORMING ASSETS (NPAs)

(Rs. in lakhs)

#	Particulars	31st March, 2018	31st March, 2017
(i)	<b>Net NPA to net advances (%)</b>	2.09%	1.69%
(ii)	<b>Movement of NPAs (gross)*</b>		
	a) Opening balance	12,825.45	4,843.68
	b) Additions during the year	15,860.24	18,169.27
	c) Reductions during the year	5,293.69	6366.08
	d) Write off during the year	5,416.14	3,821.43
	e) Closing balance	17,975.86	12,825.45
(iii)	<b>Movement of NPAs (net)*</b>		
	a) Opening balance	8,425.06	2,021.56
	b) Additions during the year	13,336.34	16,317.25
	c) Reductions during the year	3,441.66	6,092.31
	d) Write off during the year	5,416.14	3,821.43
	e) Closing balance	12,903.59	8,425.06
(iv)	<b>Movement of provisions for NPAs (excluding provision on standard assets)*</b>		
	a) Opening balance	4,400.39	2,822.13
	b) Provisions made during the year	2,523.90	1,852.02
	c) Write-off/Write-back off excess provisions	1,852.02	273.76
	d) Closing balance	5,072.27	4,400.39

\*The NPA figures mentioned above includes provision on assets taken over from Chennai Business Consulting Services Limited (erstwhile TVS Finance and Services Limited) vide BTA dated 21/04/2010

B. MOVEMENT OF CONTINGENT STANDARD ASSET PROVISION

(Rs. in lakhs)

#	Description	31st March, 2018	31st March, 2017
(i)	<b>Movement of contingent provision against standard assets</b>		
	a) Opening balance	1,846.67	1,339.01
	b) Additions during the year	446.30	507.66
	c) Reductions during the year	-	-
	d) Closing balance	2,292.97	1,846.67

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

### C. GENERAL PROVISIONS

(Rs. in lakhs)

#	Description	31st March, 2018	31st March, 2017
(i)	Movement of General provisions		
	a) Opening balance	2,968.89	2,717.27
	b) Additions during the year	2,916.65	251.62
	c) Reductions during the year	-	-
	d) Closing balance	5,885.54	2,968.89

### D. PROVISIONS AND CONTINGENCIES

Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

(Rs. in lakhs)

Description	31st March, 2018	31st March, 2017
Provision for depreciation on investments	-	-
Provision towards NPA as per RBI	671.89	1,578.25
Provision made towards income tax	7,183.68	5,516.20
Other provision and contingencies - provision as per Company norms	2,916.66	251.62
Provision for standard assets as per RBI	446.30	507.66
<b>Total</b>	<b>11,218.53</b>	<b>7,853.73</b>

### 18.4 CONCENTRATION OF ADVANCES, EXPOSURES & NPAs

#### A) CONCENTRATION OF ADVANCES

(Rs. in lakhs)

Description	2017-18	2016-17
Total advances to twenty largest borrowers	1,355.88	2,573.73
Percentage of advances to twenty largest borrowers to total advances	0.22%	0.52%

**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

**B) CONCENTRATION OF EXPOSURES**

(Rs. in lakhs)

Description	2017-18	2016-17
Total exposures to twenty largest borrowers / customers	1,355.88	2,573.73
Percentage of exposures to twenty largest borrowers to total advances	0.22%	0.52%

**C) CONCENTRATION OF NPAs**

(Rs. in lakhs)

Description	2017-18	2016-17
Total Exposure to top four NPA accounts	128.26	125.24

**D) SECTOR-WISE DISTRIBUTION OF NPAs**

S.No.	Sector	Percentage of NPA's to Total Advances in that Sector	
		2017-18	2016-17
1	Agriculture and allied activities	3.98%	2.77%
2	MSME	-	-
3	Corporate borrowers	3.28%	2.83%
4	Services	-	-
5	Unsecured personal loans to dealers	0.89%	6.30%
6	Auto loans (includes assets taken over from Chennai Business Consulting Services Limited)	2.74%	1.98%
7	Other personal loans	-	-
8	Others	-	-

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

### 18.5 CUSTOMER COMPLAINTS

Description	2017-18 (Nos.)	2016-17 (Nos.)
No. of complaints pending at the beginning of the year	73	9
No. of complaints received during the year	2,304	1,194
No. of complaints redressed during the year	2,298	1,130
No. of complaints pending at the end of the year	79	73

Note: The above figures are based on complaints received from customer for identified service deficiency. As on 26th April, 2018, except for 43 cases, other complaints have been resolved.

### 18.6 DETAILS OF NON PERFORMING FINANCIAL ASSETS PURCHASED/SOLD

The Company has neither purchased nor sold any non-performing financial assets during the year.

### 18.7 REGISTRATION UNDER OTHER REGULATORS

(Rs. in lakhs)

S. No.	Regulator	Registration No.
1	Ministry of Company Affairs	CIN:U65920TN2008PLC069758
2	Reserve Bank of India	Certificate of Registration dt 13/04/2010 No. 07-00783

### 18.8 PENALTIES IMPOSED BY RBI AND OTHER REGULATORS

No penalties have been imposed by RBI and other regulators during FY 2017-18 and FY 2016-17.

### 18.9 DETAILS OF FINANCING OF PARENT COMPANY PRODUCTS

During the year, the Company has financed 5,83,913 nos. of two-wheelers and 2,495 nos. of three-wheelers of TVS Motor Company Limited as against 5,29,717 nos. of two-wheelers and 3,455 nos. of three-wheelers in the previous year.

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

18.10 RATINGS ASSIGNED BY CREDIT RATING AGENCIES

Description	2017-18	2016-17
Commercial paper	CRISIL/ICRA:A1+	CRISIL/ICRA:A1+
Working capital demand loans	CRISIL/BWR:AA-	BWR:AA-
Cash credit	CRISIL/BWR:AA-	BWR:AA-
Bank term loans	CRISIL/BWR:AA-	BWR:AA-
Non-convertible debentures - long term	CRISIL:AA-	CRISIL:A+
Perpetual debt	CRISIL/BWR: A+	-
Subordinated debt	BWR:AA-	BWR:AA-

18.11 DIRECTORS' SITTING FEES AND COMMISSION

(Rs. in lakhs)

S.No	Name of the Director	Nature	2017-18	2016-17
1	Mr. Venu Srinivasan	Sitting fees	0.40	0.40
		Commission	-	-
2	Mr. T.K. Balaji	Sitting fees	0.30	0.10
		Commission	-	-
3	Mr. R. Ramakrishnan	Sitting fees	1.80	1.60
		Commission	12.00	9.00
4	Mr. Sudarshan Venu	Sitting fees	0.60	0.90
		Commission	-	-
5	Mr. S. Santhanakrishnan	Sitting fees	1.50	2.00
		Commission	12.00	9.00
6	Mr. P. Sivaram	Sitting fees	-	0.20
		Commission	-	-
7	Mr. K.N. Radhakrishnan	Sitting fees	1.10	0.80
		Commission	-	-
8	Mr. V. Srinivasa Rangan	Sitting fees	0.70	0.80
		Commission	12.00	9.00
9	Mr. Anupam Thareja	Sitting fees	0.60	0.40
		Commission	-	-
10	Ms. Sasikala Varadhachari	Sitting fees	0.50	0.50
		Commission	9.00	6.00
	Total		52.50	40.70



**23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018**

**18.12 DETAILS OF SINGLE BORROWER LIMITS (SBL) / GROUP BORROWER LIMITS (GBL) EXCEEDED**

Company has not exceeded the single borrower limit as set by Reserve Bank of India.

**18.13 ADVANCE AGAINST INTANGIBLE SECURITIES**

Company has not given any loans against intangible securities.

**18.14 DERIVATIVES**

**1. FORWARD RATE AGREEMENT/INTEREST RATE SWAP**

(Rs. in lakhs)

S. No	Description	2017-18	2016-17
(i)	The notional principal of swap agreements	32,500.00	30,000.00
(ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-
(iii)	Collateral required by the NBFC upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps	-	-
(v)	The fair value of the swap books	32,371.50	31,753.07

**2. EXCHANGE TRADED INTEREST RATE (IR) DERIVATIVES**

(Rs. in lakhs)

S. No.	Description	Amount
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	-
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March, 2018 (instrument-wise)	-
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	-
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	-

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

**3. DISCLOSURE ON RISK EXPOSURE IN DERIVATIVES**

Towards the foreign currency loan availed, the Company has taken forward cover to hedge the foreign current risks and cross currency interest rate swap.

(Rs. in lakhs)

S. No.	Particulars	As at 31st March, 2018
(i)	Outstanding Derivatives (Notional Principal Amount) for Hedging (Currency/Interest Rate Derivatives)	32,500.00
(ii)	Marked-to-Market Positions	
	a) Asset (+)	
	b) Liability (-)	128.50
(iii)	Credit Exposure	32,371.50
(iv)	Unhedged Exposures	Nil

**18.15 OVERSEAS ASSETS (FOR THOSE WITH JV AND SUBSIDIARIES ABROAD)**

There are no overseas assets owned by the Company.

## 23. ADDITIONAL NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2018

### 18.16 DRAW DOWN FROM RESERVES

No draw down from reserve existed for the year.

### 18.17 OFF BALANCE SHEET SPV SPONSORED

There are no SPVs which are required to be consolidated.

### 18.18 THERE ARE NO PRIOR PERIOD ITEMS ACCOUNTED DURING THE YEAR

### 18.19 THERE ARE NO CIRCUMSTANCES IN WHICH REVENUE RECOGNITION POSTPONED PENDING THE RESOLUTION OF SIGNIFICANT UNCERTAINTIES

### 18.20 SUMMARY OF TOTAL BORROWINGS, RECEIVABLES AND PROVISION

#### Total Borrowings

(Rs. in lakhs)

Term-wise breakup	2017-18	2016-17
Long-term borrowings	1,84,880.84	1,16,588.46
Short-term borrowings	2,34,764.17	1,86,557.51
Current maturities of long-term borrowings	1,12,879.55	1,17,565.94
<b>Total borrowings</b>	<b>5,32,524.56</b>	<b>4,20,711.91</b>
<b>Category-wise breakup</b>		
<b>Secured</b>		
Term loans from bank	2,69,035.39	2,03,435.65
Term loans from others	5,850.00	-
Working capital demand loans	1,34,914.17	1,04,557.51
<b>Unsecured</b>		
Term loans from bank	26,500.00	4,000.00
Term loans from other parties	-	418.75
Commercial papers	40,000.00	70,000.00
Subordinated debts	46,225.00	38,300.00
Perpetual debt	10,000.00	-
	<b>5,32,524.56</b>	<b>4,20,711.91</b>

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

**TOTAL RECEIVABLE UNDER FINANCING ACTIVITY**

(Rs. in lakhs)

Particulars	2017-18	2016-17
<b>Term-wise breakup</b>		
Long-term receivables	2,82,435.87	2,20,401.11
Current maturities of long-term receivables	3,39,466.69	2,73,299.97
<b>Total receivables</b>	<b>6,21,902.56</b>	<b>4,93,701.08</b>
Less: Substandard, doubtful assets and Loss Assets	17,975.86	12,825.43
<b>Net loan book</b>	<b>6,03,926.70</b>	<b>4,80,875.65</b>
<b>Category-wise breakup</b>		
Secured	6,11,928.04	4,87,063.03
Unsecured	9,974.52	6,638.05
<b>Total receivables</b>	<b>6,21,902.56</b>	<b>4,93,701.08</b>
Less: Substandard, doubtful assets and Loss Assets	17,975.86	12,825.43
<b>Net loan book</b>	<b>6,03,926.70</b>	<b>4,80,875.65</b>

23. ADDITIONAL NOTES FORMING  
PART OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2018

**TOTAL ASSET PROVISIONS**

(Rs. in lakhs)

Particulars	2017-18	2016-17
<b>Category-wise breakup</b>		
Provision for doubtful debts and Loss Assets	5,072.27	4,400.39
Contingent provision against standard assets	2,292.97	1,846.67
General provisions	5,885.55	2,968.89
Provision for diminution in the value of investments	-	-

**19. PREVIOUS YEAR FIGURES HAVE BEEN RECLASSIFIED TO CONFORM WITH THE CURRENT YEAR'S CLASSIFICATION / PRESENTATION, WHEREVER APPLICABLE**

As per our report of even date

for and on behalf of Board

For V Sankar Aiyar & Co  
Chartered Accountants  
ICAI Regn. No.109208W

S. Venkatraman  
Partner  
Membership No. 34319

Director

Director

Chief Executive Officer

Place: Chennai  
Date: 30th April, 2018

Chief Financial Officer

Company Secretary



**CORPORATE OFFICE:**

TVS Credit Services Limited

Jayalakshmi Estates, Third Floor,

29, Haddows Road, Nungambakkam,

Chennai - 600 006, India.