



# TVS CREDIT SERVICES LIMITED



8<sup>th</sup>  
Annual Report  
2015-2016



### **Board of Directors**

Venu Srinivasan, Chairman  
Anupam Thareja, Whole Time Director  
R Ramakrishnan  
T K Balaji  
Sudarshan Venu  
K N Radhakrishnan  
S Santhanakrishnan  
V Srinivasa Rangan  
P Sivaram  
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: (91 22) 2200 4465 / 2206 7440  
Email: mumbai@vsa.co.in, chennai@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 - 2257121  
CIN: U65920TN2008PLC069758  
Email: corpsec@scl.co.in  
Website: www.tvscredit.co.in

**Bankers**

State Bank of India

Axis Bank Limited

State Bank of Mysore

ICICI Bank Limited

Bank of Baroda

HDFC Bank Limited

Indian Bank

IndusInd Bank Limited

Syndicate Bank

Bank of India

Central Bank of India

South Indian Bank

IDBI Bank Limited

DCB Bank Limited

Canara Bank

Bank of Maharashtra

Corporation Bank

Federal Bank Limited

Oriental Bank of Commerce

Punjab & Sind Bank

UCO Bank

Union Bank of India

Karnataka Bank

Karur Vysya Bank Limited

CTBC Bank

<i>Contents</i>	<i>Page No.</i>
Notice of Annual General Meeting	4
Directors' Report to the shareholders	16
Independent Auditors' Report to the shareholders	47
Balance Sheet	54
Statement of Profit and Loss	55
Cash flow statement	56
Significant Accounting Policies and additional disclosures	58
Notes on accounts	74

## NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the eighth 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 Tuesday, the 2<sup>nd</sup> August 2016 at 9.00 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 31<sup>st</sup> March, 2016, 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 to hold office for the third 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.”

### SPECIAL BUSINESS

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

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 15,58,400 equity shares of Rs. 10/- each at a premium of Rs. 51/- per share amounting to Rs. 9,50,62,400/- (Rupees Nine Crores Fifty Lakhs Sixty Two Thousand Four hundred Only) on a preferential basis, to PHI Capital Services LLP 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 Ernst & Young, 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 Equity Shares of the Company.

RESOLVED FURTHER THAT the aforesaid Equity Shares of Rs.10/- each shall have a lock-in-period of one year from the date of allotment by the board of directors or any committee thereof.

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 authorized committee thereof) be and is hereby authorized 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 finalize 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, utilization 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

- (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

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

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 1,63,93,000 equity shares of Rs. 10/- each at a premium of Rs. 51/- per share amounting to Rs. 99,99,73,000/- (Rupees Ninety Nine Crores Ninety Nine Lakhs Seventy Three Thousand Only) on a preferential basis to TVS Motor Company Limited 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 Ernst & Young, 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 Mr Venu Srinivasan, Chairman of the Company be and is hereby authorised 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 authorized committee thereof) be and is hereby authorized 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 finalize 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, utilization 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

- (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

Place : Chennai

K Sridhar

Date : 17<sup>th</sup> June 2016

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 ten percent of the total voting share capital of the Company. However, a single person may act as a Proxy for a member holding more than ten percent 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 17<sup>th</sup> June 2016 and shall be taken as forming part of the Notice.

### **Item No. 5**

The Company proposes to issue shares on a preferential basis to PHI Capital Services LLP (PHI).

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 authorized by way of a special resolution.

Similarly, in terms of Section 42 of the Act 2013 read with The Companies (Prospectus and Allotment of Securities) Rules, 2014, framed there-under, 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 section 42 and 62 of the Act 2013 read with the Rules made there-under, for the proposed issue, of 15,58,400 equity shares of Rs. 10/- each at a premium of Rs. 51/- amounting to Rs. 9,50,62,400/- (Rupees Nine Crores Fifty Lakhs Sixty Two Thousand Four hundred Only) to PHI Capital Services LLP, 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 has availed the services of Phi Research Private Limited in terms of an Alliance Agreement entered into among the Company, the holding company, namely TVS Motor Services Limited and Phi Research Private Limited on 16<sup>th</sup> April 2010.

As per the terms of this arrangement, the Company has been obligated to pay a fee equivalent to the allotment of agreed shares as per the arrangement i.e., 15,58,400 shares along with applicable tax liability in the hands of PHI, towards the professional services rendered by them for the financial year 2015-16 and has proposed to allot shares equivalent to the value of service fees (net of tax) to be paid by the Company to PHI.

Accordingly, it has now been proposed to issue and allot 15,58,400 equity shares to PHI Capital Services LLP, being the final tranche as per the aforesaid agreement subject to such terms and conditions of the agreement with a lock in period of one year from the date of allotment of the said Equity Shares by the board.

### **Pricing**

The Company has obtained a valuation report from M/s. Ernst & Young, determining the price of shares at Rs.61/- per share as required under section 62 read with Section 42 and Rule 13 of the Companies (Share Capital and Debentures) Rules 2014, 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 2015.

The price has been arrived at as on the date of the latest audited annual accounts for the year ended 31st March 2015, approved by the board at its meeting held on 12th June 2015.

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

The Company proposes to issue further equity shares to PHI Capital Services LLP.

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

The holding company viz., TVS Motor Services Limited, 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	13,47,41,600	93.05	13,47,41,600	92.06
	<b>Sub Total</b>	<b>13,47,41,600</b>	<b>93.05</b>	<b>13,47,41,600</b>	<b>92.06</b>
2	Foreign Promoters	-	-	-	-
	<b>Sub Total (A)</b>	<b>13,47,41,600</b>	<b>93.05</b>	<b>13,47,41,600</b>	<b>92.06</b>
<b>B</b>	<b>Non-Promoters' holding :</b>				
1	Institutional Investors	-	-	-	-
2	Non-Institution :				
	Private Corporate Bodies	1,00,58,400	6.95	1,16,16,800	7.94
	Directors and Relatives	-	-	-	-
	Indian Public	-	-	-	-
	Others (Including NRIs)	-	-	-	-
	<b>Sub Total (B)</b>	<b>1,00,58,400</b>	<b>6.95</b>	<b>1,16,16,800</b>	<b>7.94</b>
	<b>GRAND TOTAL</b>	<b>14,48,00,000</b>	<b>100.00</b>	<b>14,63,58,400</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.

### Change in control

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

### Details of preferential allotment made during the year

During the year 2015-16, 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 Services Limited	18 <sup>th</sup> November 2015	Equity Shares	77,87,000	Rs.10/-	Rs.51/-	47,50,07,000/-
TVS Motor Services Limited	27 <sup>th</sup> February 2016	Equity Shares	37,70,500	Rs.10/-	Rs. 51/-	23,00,00,500/-
TVS Motor Services Limited	31 <sup>st</sup> March 2016	Equity Shares	37,63,300	Rs.10/-	Rs. 51/-	22,95,61,300/-
PHI Capital Services LLP	31 <sup>st</sup> March 2016	Equity Shares	7,79,200	Rs.10/-	Rs. 51/-	4,75,31,200/-

### 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.

Except Mr Anupam Thareja, Whole Time Director being nominee and a Director of PHI Research Private Limited and also a designated partner in PHI Capital Services LLP; and Mr P Sivaram, Director, being nominee of PHI Research Private Limited and Designated Partners of PHI Capital Services LLP, none of the other 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.

PHI Capital Research LLP and Phi Research Private limited being related parties to the arrangement are prohibited from participating in voting.

### 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.

### Item No. 6

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 authorized by way of a special resolution.

Similarly, in terms of Section 42 of the Act 2013 read with The Companies (Prospectus and Allotment of Securities) Rules, 2014, framed there-under, 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 section 42 and 62 of the Act 2013 read with the Rules made there-under, for the proposed issue, of 1,63,93,000 equity shares of Rs. 10/- each at a premium of Rs. 51/- amounting to Rs. 99,99,73,000/- (Rupees Ninety Nine Crores Ninety Nine Lakhs Seventy Three 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 program 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 recent 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 1,63,93,000 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. Ernst & Young, determining the price of shares at Rs.61/- per share as required under section 62 read with Section 42 and Rule 13 of the Companies (Share Capital and Debentures) Rules 2014, 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 31<sup>st</sup> March 2015.

The price has been arrived at as on the date of the latest audited annual accounts for the year ended 31<sup>st</sup> March 2015, approved by the board at its meeting held on 12<sup>th</sup> June 2015.

### **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.

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

The holding company viz., TVS Motor Services Limited, 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	13,47,41,600	92.06	13,47,41,600	70.63
	<b>Sub Total</b>	<b>13,47,41,600</b>	<b>92.06</b>	<b>13,47,41,600</b>	<b>70.63</b>
2	Foreign Promoters	-	-	-	-
	<b>Sub Total (A)</b>	<b>13,47,41,600</b>	<b>92.06</b>	<b>13,47,41,600</b>	<b>70.63</b>
<b>B</b>	<b>Non-Promoters' holding :</b>				
1	Institutional Investors	-	-	-	-
2	Non-Institution :				
	Private Corporate Bodies	1,16,16,800	7.94	1,16,16,800	6.09
	Public Corporate Bodies	-	-	1,63,93,000	8.59
	Directors and Relatives	-	-	-	-
	Indian Public	-	-	-	-
	Others (Including NRIs)	-	-	-	-
	<b>Sub Total(B)</b>	<b>1,16,16,800</b>	<b>7.94</b>	<b>2,80,09,800</b>	<b>14.68</b>
	<b>GRAND TOTAL</b>	<b>14,63,58,400</b>	<b>100.00</b>	<b>19,07,61,200</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.

**Change in control**

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

**Details of preferential allotment made during the year**

During the year 2015-16, 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 Services Limited	18 <sup>th</sup> November 2015	Equity Shares	77,87,000	Rs.10/-	Rs. 51/-	47,50,07,000/-
TVS Motor Services Limited	27 <sup>th</sup> February 2016	Equity Shares	37,70,500	Rs.10/-	Rs. 51/-	23,00,00,500/-
TVS Motor Services Limited	31 <sup>st</sup> March 2016	Equity Shares	37,63,300	Rs.10/-	Rs. 51/-	22,95,61,300/-
PHI Capital Services LLP	31 <sup>st</sup> March 2016	Equity Shares	7,79,200	Rs.10/-	Rs. 51/-	4,75,31,200/-

### **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.6 of the Notice.

### **Inspection of documents**

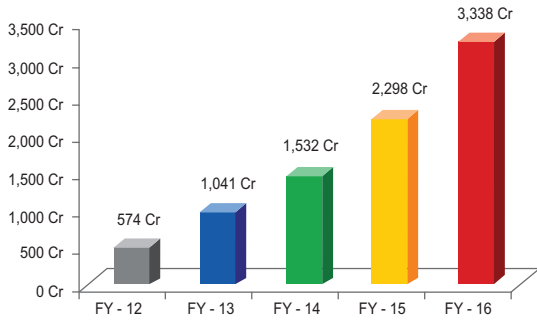
Copy of the documents referred to in this Explanatory statement will be available for inspection by the members, free of cost, at the Registered Office of the Company, during normal business hours on any working day.

BY ORDER OF THE BOARD

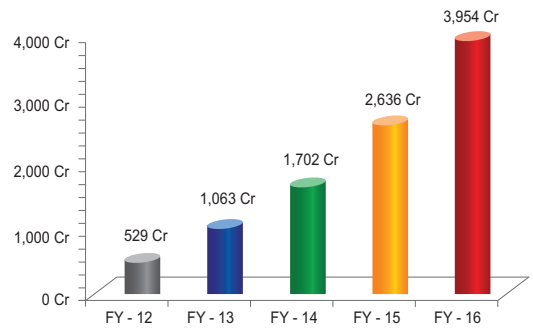
Place : Chennai  
Date : 17<sup>th</sup> June 2016

K Sridhar  
Company Secretary

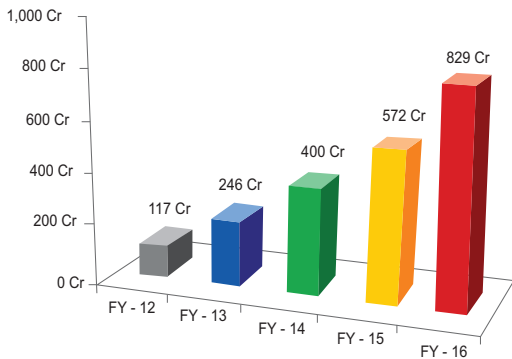
### Disbursal Value



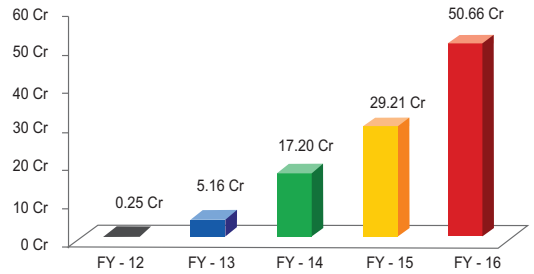
### Asset under Management



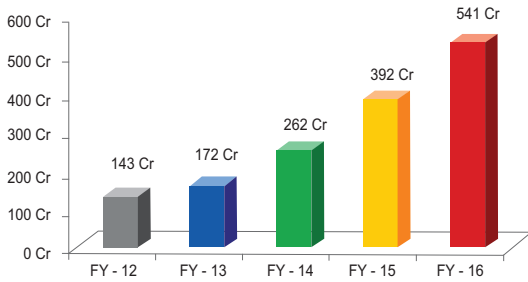
### Income Growth



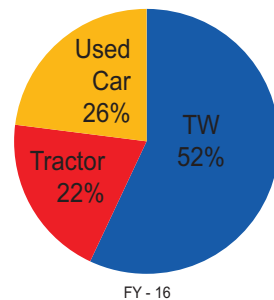
### PAT Growth



### Net Worth



### Portfolio Mix





## REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

The Directors have pleasure in presenting the Eighth Annual Report on the business and operations of the Company together with the audited financial statements for the year ended March 31, 2016

### 1. BUSINESS AND FINANCIAL PERFORMANCE

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

(Rs. in Crores)

Particulars	Year ended 31-03-2016	Year ended 31-03-2015
Revenue from Operations	824.88	574.49
Other Income	3.62	1.41
<b>Total</b>	<b>828.50</b>	<b>575.90</b>
Finance Costs	279.75	208.76
Business Origination, administrative & Other Expenses	426.89	293.52
Depreciation and amortisation expenses	10.55	7.66
Bad debts written off	15.42	11.39
Provision for bad & doubtful debts	16.76	10.55
<b>Total</b>	<b>749.36</b>	<b>531.89</b>
<b>Profit / (Loss) before tax</b>	<b>79.13</b>	<b>44.02</b>
Less: Tax expense		
- Current Tax	35.86	20.27
- Deferred Tax	(7.38)	(5.47)
<b>Profit / (Loss) after tax</b>	<b>50.66</b>	<b>29.21</b>
Balance brought forward from previous year	35.37	6.16
<b>Surplus / (Deficit) carried to Balance sheet</b>	<b>86.03</b>	<b>35.37</b>

The Company's overall disbursements registered a growth of 45% at Rs. 3,338 Cr as compared to Rs. 2,298 Cr in the previous year.

In line with the diversification plans of the Company, apart from being the number one retail financier for TVS Motor Company Limited

(TVSM), it also consolidated its position as the largest tractor financier for Tractors and Farm Equipment Limited group in the geographies represented. The Company also expanded its footprint in used car financing by covering more locations and channel partners.

During the year the Company:

1. financed around 4.7 lakh two wheeler customers of TVSM as against 3.7 lakhs in the previous year;
2. financed 11,741 new tractors during the year as against 12,690 in the previous year; and
3. financed 27,290 used cars during the year as against 17,115 in the previous year.

With stress in new tractor volume, the Company ramped up the used tractor financing to 7,833 nos. as against 1,956 nos. in the previous year.

The Company has cumulatively financed over a million customers since its inception. During the year under review, the assets under management stood at Rs. 3,954 Cr as against Rs. 2,636 Cr during the previous year registering a growth of 50%.

The Company continues to invest substantially in technology, both for sourcing and recovery, which maintained the overall productivity and collection efficiency at higher levels. The asset quality of the Company continues to remain healthy. The ratio of gross non-performing assets to gross advances and net non-performing assets to net advances as on March 31, 2016 stood at 1.35 % and 0.53 % respectively. 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 27.17 Cr accelerated provision in excess of Reserve Bank of India norms.

### Key initiatives during the financial year

During the year, the Company –

- opened 150 new micro market locations for two wheeler finance in Madhya Pradesh, Uttar Pradesh, Maharashtra and Chhattisgarh;

- increased rural market penetration in used car segment to more than 200 locations;
- started operations in 24 new locations in North East region of the country;
- expanded operations in Bihar and Jharkhand by adding 40 and 8 new locations respectively;
- opened 29 new territory offices during the year;
- commenced operations from 4 new credit hub offices which helped to reach out to the customers and improving the turnaround time in processing the customer loans;
- piloted tablet based credit processing model to deliver credit in 30 minutes turnaround time;
- conducted certification programs for underwriters to standardise the credit approval process and improve quality;
- commenced credit and collection model in selected areas for two wheeler and used cars where the particular employee is responsible for both credit and collection;
- started two wheeler top up program to leverage on the existing customer base;
- started working capital programs for dealers to support the business growth in smaller locations;
- expanded product suite to fee based income products through tie ups with Banks and Financial Institutions for collection of stressed assets by offering services in soft collection, hard collection, repossession and residual management;
- entered into exclusive tie ups with Banks for sourcing, collection and maintenance of auto loans where end to end fee bases services will be provided;
- piloted new mobile interface to verify vehicle hypothecation through text messages;
- launched dedicated helpdesk for addressing dealer queries;
- drove technology initiatives through robust IT network systems and point of sale solutions;
- obtained ISO Quality ISO9001/2008 and ISMS 27001/2013 certification during the year; and
- launched employee recognition programs.

Total income during the financial year 2016 increased to Rs. 828.50 Cr from Rs. 575.90 Cr during the financial year 2015, an increase of 44% over the previous year. The profit before tax for the year has also improved and stood at Rs. 79.14 Cr as against Rs. 44.02 Cr during the previous year.

The Company continued to strengthen its provisioning standards beyond the requirement under the regulations of Reserve Bank of India (RBI) by accelerating the provisioning to an early stage of delinquency.

## 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Economic Outlook

India's economic growth has largely remained positive primarily on the strength of domestic consumption despite lower exports resulting from substantial erosion of global demand for Indian output. Additionally, its other macroeconomic parameters like inflation, fiscal deficit and current account balance have exhibited distinct signs of improvement. Improved economic growth in FY16 was mainly driven by the manufacturing and services sector. Growth in the services sector moderated slightly, but still remains robust; while the acceleration in manufacturing growth compensated for it. However growth in the agriculture sector in 2015-16 has continued to be lower on account of two consecutive years of deficient monsoon. Indian agricultural sector registered a modest growth of 1.1% in FY16. Industry growth stood at 7.4% owing to various initiatives launched by the Government of India, such as 'Make in India', 'Start-Up India, Stand-Up India' to facilitate India's growth. Manufacturing in FY16 grew at 9.5% as compared to 5.5% in FY15.

The substantial decline in price of crude oil contributed to the decline in general inflation for the second successive year. Headline inflation based on consumer price index dipped to 4.83% in FY 2015-16 as against 5.90% in 2014-15. Wholesale Price Index (WPI) inflation declined following the global trend of declining commodity and producers prices. WPI inflation has remained in the negative territory since November 2014 and was (-) 0.85 per cent in 2015-16 as compared to (-) 2.33 per cent in 2014-15. With inflation being in its target range, RBI has been able to reduce the repo rate by 75 bps in FY 2015-16. The continued decline in crude oil prices, which constitute one of the largest components of India's import basket, have been a major contributor to the declining inflation trend. The Government managed to contain its fiscal deficit at 3.9% of the GDP in FY 2015-16 as against 4.1% in FY 2014-15. FII inflows registered a decline in FY16, the steepest decline since the financial crisis of 2008. Lower FIIs, overall economic slowdown in emerging markets, strengthening of the U.S. market and uncertain slowdown in China contributed towards the depreciation of the Indian Rupee.

However, many new challenges emerge in the form of declining exports, uncertain global demand, fluctuating rupee against dollar, weak rural economy, rising NPAs in the banking sector and tepid demand conditions in the country. With global slowdown likely to persist, the chances of India's growth rate in 2016-17 increasing significantly are not very high. However given the prevalent overall macroeconomic scenario, and assuming a normal level of rains in 2016-17, it would not be unreasonable to conclude that the Indian economy is all set to register growth in excess of 7 per cent for the third year in succession.

### **Industry Developments**

The year 2015-2016 turned out to be a weak year for domestic two-wheeler industry. Domestic two wheelers sales growth reduced from 9% in FY15 to 3% in FY16. Scooter as a category continued

to gain share in total two wheeler industry. The category share of scooters increased from 27% to 31% due to changing consumer preferences and strong urban demand. The motorcycle segment remained flat for the second consecutive year. Within motorcycles continued traction in urban demand enabled the premium segment to grow by 14%. In complete contrast commuting segment declined by 3%. Mopeds declined to 3.5% in 2015-16 compared to a 3.6% growth in 2014-15. In the backdrop of as low as 2-3% growth in FY16, the domestic two wheeler industry is expected to remain flat and the growth is expected to be around 3% in FY17. Push in rural demand is likely to emanate from increased budgetary allocations towards rural development and welfare schemes (NREGA) for 2016-17, increased government focus on improving irrigation, infrastructure and normal monsoon. Moreover, with the implementation of the Seventh Pay Commission and softer interest rates there would be a spur in two-wheeler sales among urban households.

Despite slow recovery in Indian automotive space, passenger car segment ended on a positive note with 2.8 million units sold in FY16 at a growth rate of 7.2%, the highest growth in last five years. However, the number of used cars sold is over 4 million during in 2015-2016. Further, used car sale is expected to double to about 8 million units by 2016-17. The emergence of new organized players and web aggregators and companies expanding their presence into tier II and tier III cities would provide a major sales boost to the used car industry.

After declining by 10% during FY15, the domestic tractor industry volumes continued to decline by 8.9% during FY16. Domestic demand remained sluggish due to three consecutive crop failures, poor monsoon in last six years and declining crop prices resulting in weak farm sentiment among the buyers. Alongside, non-agricultural demand also remained weak with slow paced developments in infrastructure and construction activities. Tractor sales are expected to improve

gradually over the next fiscal reinforced by normal and well-spread monsoon. El Nino conditions are forecasted to end in the upcoming months and transform into La Nina which are favourable for monsoon. Government commitment to improve irrigation, soil health and agricultural credit would improve farm sentiment over FY17 hence, domestic tractor volumes are expected to grow at 4-6%.

### **New Regulatory Framework**

In 2015-16, RBI liberalised the external commercial borrowing norms for non-bank finance companies allowing money to be used to fund domestic equipments as against the earlier norm of financing the import of infrastructure equipment. RBI allowed NBFCs and other corporates to issue masala bonds within the broad external commercial borrowing (ECB) framework to deepen capital markets and provide these issuers with a way to raise funds abroad without incurring currency risk.

The Union Budget 2016-17, as presented has given the much needed boost to the NBFC sector by allowing a deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts (NPAs). This has ensured parity of the NBFCs with Banks on tax matters, just as the revised regulatory framework for NBFCs has brought parity with Banks. Some of the other key budget proposals are:

- FDI will be allowed beyond the 18 specified NBFC activities through automatic route in other activities which are regulated by financial sector regulators.
- Amendments in the SARFAESI Act, 2002 to include NBFCs in the loan recovery mechanisms.

### **Opportunities and Business Plans**

The performance of retail-financing NBFCs is expected to improve gradually in line with macro-economic recovery supported by expectation of a normal monsoon. Over the medium term, the asset quality of NBFCs is expected to benefit

from the stronger economic outlook. The funding profile of the NBFC sector is likely to shift in favour of securitisation following greater clarity on taxation regime for securitization and permitting foreign portfolio investments (FPI) in PTCs should help widen the investor base and deepen the securitization market. This along with the introduction of the marginal cost of fund-based lending rate (MCLR) by banks could lower the cost of borrowings for NBFCs.

Strong urban demand and an increase in credit penetration will continue to drive the growth in the two wheeler segment. Further normal monsoon in FY 2016-17 will drive rural credit growth which will further boost the two wheeler industry. The Company plans to enter 150 new micro markets. The Company will focus primarily on asset quality by building support structure in quality, audit and training. The Company will also focus on demand creation in the used car and used tractor finance business. The Company plans to increase the finance penetration in smaller towns in rural space by expanding into new locations mostly at district headquarters and taluk levels. As outlined last year, the emphasis on used tractor growth to continue, to further de-risk the new tractor segment by consolidating the used tractor space. The Company plans to expand into new areas to support the OEMs and leverage it for business growth at existing locations.

The Company also plans to pilot used commercial vehicle financing in selected areas for self-employed customers like small traders, suppliers and shop keepers with good credit profiles. The customer profile in the used commercial vehicle space is mostly rural with low income households who have limited access to formal sources of financing and whose livelihood is directly dependent on the vehicle. The Company already has significant experience in these customer segments as more than half of its live customers are micro-entrepreneurs, small scale vendors and self-employed group.

The Company will leverage on its strengths in terms of reach, dedicated resources and expertise in cash collections to provide retail stressed assets collection services to Banks and asset reconstruction companies. The Company will provide end to end collection services in soft collection, hard collection, repossession and residual management. The Company will also leverage on its used car operational expertise, presence and channel partners to tie up with various Banks and Financial institutions and provide end to end services in channel creation, sourcing, credit underwriting, operations, collection, residual management and legal.

### Threats

The growth in 2016-17 may not pick up dramatically from the levels achieved in 2015-16 as the possibility of slow global economic growth and financial sector uncertainties still loom large. Growth in the rural sector specifically the agriculture segment largely depends on a normal monsoon which is essential for sustained growth in consumer demand. Global macroeconomic landscape, volatile exchange rates, Government policies implementation and regulatory framework could put considerable stress on the Company's operations.

### Infrastructure & Information Technology

The Company is present in 20 States and Union Territories with 84 area offices. The Company carries out its credit operations from 8 hubs in Chennai, Delhi, Pune, Indore, Jaipur, Ernakulam, Lucknow and Vijaywada. The Company continues to invest substantially in technology, both for sourcing and recovery, which maintained the overall productivity and collection efficiency at higher levels.

The Company uses web based platforms and tablets for loan processing and collections. The Company uses mobility solutions for automatic collection process. The Company is investing in analytics which serve as primary decision making tool.

The Company will focus on:

1. launching e-KYC and scoring based decision model to eliminate manual cross checks which will improve turnaround time in decision making;
2. geo locator and geo mapping projects to enhance field collector's productivity by easy identification of customer location; and
3. customer relationship management (CRM) based solution for service module to integrate all transaction applications to provide one single window.

### Human Resources

The Company has developed a robust human resource management framework to maximise employee performance. 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 programs to develop a talented workforce to meet day to day business challenges.

The Company duly complied with all the statutory compliances related to employment and labour laws. As on 31<sup>st</sup> March 2016, the Company had 8,284 employees on its rolls.

### 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 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 31<sup>st</sup> March 2016.

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. ISSUANCE OF EQUITY SHARES

During the year under review, the board of directors issued and allotted 1,53,20,800 equity shares of Rs.10/-each at a premium of Rs.51/- per share aggregating to Rs.93.46 Cr to TVS Motor Services Limited, holding Company and allotted 7,79,200 equity shares of Rs.10/-each at a premium of Rs.51/- per share aggregating to Rs. 4.75 Cr to PHI Capital Services LLP, in terms of Sections 42 and 62 of the Act 2013 read with the Rules made there-under, on a preferential basis.

The paid up capital of the Company accordingly stood increased from Rs. 128.70 Cr (12,87,00,000 equity shares of Rs.10/- each) to Rs.144.80 Cr (14,48,00,000 equity shares of Rs.10/- each) as on 31<sup>st</sup> March 2016.

### 6. FUNDING

With equity infusion of Rs. 98.21 Cr in FY 2015-16, participation from banks and financial institutions in the form of equity and Tier 2 capital (Subordinated Debt), the Company has a strong Capital Adequacy Ratio (CAR). The CAR as on 31<sup>st</sup> March 2016 stood at 18.04%.

BRICKWORKS, ICRA Ltd and CRISIL Ltd have assigned ratings for the various facilities availed by the Company, details of the rating are given below:

The Company has been assigned AA- by BRICKWORKS for bank 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 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 raised Rs. 1,230 crore through long term loans. No interest or principal repayment of the term loans was due and unpaid as on March 31, 2016. 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. 116 crore (principal outstanding). The Company has also sold used car portfolio of Rs. 219 crore and two wheeler portfolio of Rs. 200 crore under direct assignment route. 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 crore in the form of Subordinated debt, on private placement basis. The Subordinated debt is rated AA- by BRICKWORKS and has a maturity period of 5 years and 6 months.

With the diversification of business into used cars and tractors where the lending tenor is more than 36 months, the funding programme is being structured in such a way that the borrowing tenor matches with the lending tenor and there is no Asset Liability mismatch. Also sufficient undrawn limits are being maintained at any point of time.

### 7. 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:

- (a) in the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments 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;
- (c) 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;
- (d) the directors had prepared the accounts for the financial year ended 31<sup>st</sup> March 2016 on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively.

## 8. DIRECTORS & KEY MANAGERIAL PERSONNEL

### Appointment

During the year, Mr S Santhanakrishnan, was appointed as a non executive independent director for the second term of three consecutive years from the conclusion of the seventh Annual General Meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the board and / or committees and profit related commission in terms of applicable provisions of the Act 2013 as determined by the board from time to time.

Mr Sudarshan Venu was appointed as a non-executive non-independent director of the Company effective 23<sup>rd</sup> June 2015.

### Woman director

In terms of Section 149 of the Act 2013, the Company is required to have a woman director on its board.

Ms Sasikala Varadachari was appointed as a non-executive and independent director of the Company, at the extra-ordinary general meeting held on 30<sup>th</sup> March 2015 for a term of three years.

On appointment, each ID has acknowledged the terms of appointment as set out in their letter of appointment. The appointment letter covers, inter alia, the terms of appointment, duties, remuneration and expenses, rights of access to information, other directorships, dealing in Company's shares, disclosure of Director's interests, insurance and indemnity. The IDs are provided with copies of the Company's policies and charters of various committees of the board.

### Declaration of independence

All the existing IDs have declared that they met 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 [www.tvscredit.co.in](http://www.tvscredit.co.in)

### 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.

### Directors liable to retire by rotation

In terms of the AoA and the applicable provisions of the Act 2013, Mr T K Balaji and Mr K N Radhakrishnan, non-independent directors, are liable to retire at the AGM and, being eligible, offer themselves for re-appointment.

### Separate meeting of IDs:

The IDs were fully kept informed of the Company's activities in all its spheres.

During the year under review, a separate meeting of IDs was held on 21<sup>st</sup> March 2016 and the IDs reviewed the performance of:

- i. non-IDs viz., M/s. Venu Srinivasan, Chairman, Anupam Thareja, whole time director and T K Balaji, P Sivaram, K N Radhakrishnan and Sudarshan Venu, directors; and
- ii. the board as a whole.

They reviewed the performance of Chairman after taking into account the views of Executive and Non-Executive Directors. They also assessed the quality, quantity and timeliness of flow of information between the Company's Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### **Number of board meetings held during the year**

During the year under review, the board met four times on 23<sup>rd</sup> June 2015, 30<sup>th</sup> September 2015, 24<sup>th</sup> December 2015 and 21<sup>st</sup> March 2016 and the gap between two meetings did not exceed one hundred and twenty days.

#### **Key Managerial Personnel (KMPs)**

Mr Anupam Thareja, Whole Time Director, 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 in terms of Section 203 of the Act 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

#### **Evaluation of the board, committees and directors**

In terms of Section 134 of the Act 2013 and the Corporate Governance requirements, the board reviewed and evaluated its own performance from the perspectives of Company Performance, Strategy and Implementation, Risk Management, Corporate ethics, based on the evaluation criteria laid down by the NRC.

#### **Board**

The board discussed and assessed its own composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision making, follow up action, quality of information and the performance and reporting by the Committees viz., Audit Committee, Nomination and Remuneration Committee (NRC), Asset Liability Management Committee (ALCO), Risk Management Committee (RMC) and Corporate Social Responsibility Committee (CSR).

The board upon evaluation concluded that it is well balanced in terms of diversity of experience encompassing all the activities of the Company. The Company endeavour to have a diverse board representing a range of experience at policy-making levels in business and technology, and in areas that are relevant to the Company's global activities.

The board also noted that corporate responsibility, ethics and compliance are taken seriously, and there is a good balance between the core values of the Company and the interests of stakeholders. The board being satisfied with the Company's performance in all fronts viz., new business segment, operations, marketing, finance management, employee relations and compliance with statutory / regulatory requirements, concluded that the board operates effectively and is closely aligned to the culture of the business.

#### **Directors**

The performance of individual directors including all Independent directors was assessed against a range of criteria such as contribution to the development of business strategy and performance of the Company, understanding major risks affecting the Company, clear direction to the management and contribution to the board cohesion. The performance evaluation has been done by the entire board of directors, except the director concerned being evaluated.



The board noted that all directors have understood the opportunities and risks to the Company's strategy and are supportive of the direction articulated by the management team towards consistent improvement.

### **Committees**

The performance of each committee was evaluated by the board after seeking inputs from its members on the basis of the criteria such as matters assessed against terms of reference, time spent by the committees in considering matters, quality of information received, work of each committee, overall effectiveness and decision making and compliance with the corporate governance requirements and concluded that all the committees continued to function effectively, with full participation by all its members and the members of executive management of the Company.

The board reviewed each committee's terms of reference to ensure that the Company's existing practices remain appropriate. Recommendations from each committee are considered and approved by the board prior to implementation.

### **Nomination and Remuneration Policy**

The Nomination and Remuneration Committee (NRC) reviews the composition of the board, to ensure that there is an appropriate mix of abilities, experience and diversity to serve the interests of all shareholders and the Company.

In accordance with the requirements under Section 178 of the Act 2013, the Committee formulated a Nomination and Remuneration Policy to govern the terms of nomination / appointment and remuneration of (i) directors, (ii) Key Managerial Personnel (KMPs) and (iii) Senior Management Personnel (SMPs) of the Company. The same was approved by the board at its meeting held on 27<sup>th</sup> March 2015. There is no change in the policy during the year under review.

The Committee also reviews succession planning of both SMPs and board. The

Company's approach in recent years is to have a greater component of performance linked remuneration for SMPs. The process of appointing a director / KMPs / SMPs, is that when a vacancy exists, or is expected, the NRC will identify, ascertain the integrity, qualification with the appropriate expertise and experience having regard to the skills that the candidate will bring to the board / Company and the balance of skills which the existing members hold.

The NRC will review the profile of persons and the most suitable person is either recommended for appointment by the board or is recommended to shareholders for election. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

NRC will ensure that any person(s) who is / are appointed or continues in the employment of the Company as its executive chairman, managing director, whole time director should comply with the conditions as laid out under Part I of Schedule V of the Act. NRC will ensure that any appointment of a person as an Independent Director of the Company will be made in accordance with the provisions of Section 149 read with Schedule IV of the Act.

Criteria for performance evaluation, disclosures on the remuneration of directors, have been disclosed as part of Corporate Governance report attached herewith.

## **9. COMMITTEES OF THE BOARD**

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**

As required under Section 177 of the Companies Act, 2013, the Company has constituted an independent audit committee which acts as a link between the statutory and the internal auditors and the board of directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters.

As on date, the Audit Committee consists of the following directors as its members, M/s. S Santhanakrishnan, R Ramakrishnan, K N Radhakrishnan and V Srinivasa Rangan.

The Committee meets periodically to discuss and review such matters as required in terms of Section 177 of the Act 2013.

### **Asset Liability Management Committee**

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 Asset Liability Committee consists of M/s. Anupam Thareja, R Ramakrishnan, S Santhanakrishnan and Sudarshan Venu as its members.

### **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.

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.

The Company has a robust asset-liability management model to ascertain and manage interest rate and liquidity risks.

Issues were 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.

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

As at 31<sup>st</sup> March 2016, the CSR Committee consists of the following directors as its members viz., Mr Venu Srinivasan, Mr K N Radhakrishnan and Mr R Ramakrishnan.

CSR activities have already been textured into the Company's value system through Srinivasan Services Trust (SST).

SST, the CSR arm of the Company, was established in 1996. Over 20 years of service, SST 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 / programs, falling within the CSR activities specified under the Act 2013, as mandated by the Ministry of Corporate Affairs for carrying out the CSR activities.

The CSR Committee formulated and recommended a CSR policy in terms of Section 135 of the Act 2013 along with a list of projects / programmes to be undertaken for CSR spending in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Based on the recommendation of the CSR Committee, the board has approved the projects / programs carried out as CSR activities by SST, having a track record of more than the prescribed years in undertaking similar programmes / projects.

During the year 2015-16, the Company had spent Rs.33 Lakhs, constituting more than 2% of average net profits, for the immediate past three financial years, towards CSR activities through SST.

Presently, SST is working in 3,449 villages spread across Tamil Nadu, Karnataka, Maharashtra, Himachal Pradesh and Andhra Pradesh covering about 20,90,000 population and 4,63,500 families. Its major focus areas include economic development, health care, quality education, environment and Infrastructure.

As required under Section 135 of the Companies 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 IV attached to this Report.

## 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.

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 14<sup>th</sup> 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.

The Auditors' Report for the financial year 2015-16 does not contain any qualification, reservation or adverse remark and the same is attached with the annual report.

The Company has obtained necessary certificate under Section 141 of the Act conveying their eligibility for being re-appointed as statutory auditors of the Company for the third year in the second term of five consecutive years.

### Secretarial Auditor

As required under Section 204 of the Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company is required to appoint a Secretarial Auditor for auditing secretarial and related records of the Company.

The Secretarial Audit Report for the year 2015-16, given by Mr T N Sridharan, Company Secretary, Chennai for auditing the secretarial and related records is attached to this report. The Secretarial Audit Report does not contain any qualification, reservation or other remarks.

## 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 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.

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 18.04% 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 the past experience and emerging trends.

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 finance Company and foster confidence in the 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.

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 [www.tvscredit.co.in](http://www.tvscredit.co.in).

## 15. DISCLOSURES

(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 2015-16 is Nil (previous year Nil). The Company did not have any foreign exchange earnings.

(ii) Annual Return

Extract of Annual Return in the prescribed form is given as **Annexure I** this report.

(iii) 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**.

(iv) Details of related party transactions

Details of material related party transactions under Section 188 of the Act 2013 are given in **Annexure III** to this report in the prescribed form.

(v) Details of loans / guarantees / investments made

Furnishing the details of investments under Section 186 of the Act 2013 for the financial year 2015-2016 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.

(vi) 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.

## 16. ACKNOWLEDGEMENT

The directors gratefully acknowledge the continued support and co-operation received from the holding Company, namely TVS Motor Services Limited 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 of Directors

Place : Chennai

Date: June 17, 2016

Chairman

**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**

**as on the financial year ended on 31st March 2016**

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN	:	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 – 600 006 044 28272233
vi)	Whether listed company      Yes / No	:	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	N.A

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

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

Sl. No.	Name and Description of main products / services	NIC code of the product / service	% to total turnover of the Company
1	Retail Financial Services	65921	96%

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

S. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	TVS Motor Services Limited	U50404TN2009PLC071075	Holding Company	Holds 93.05% in the Company	2(46)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (as on 31 <sup>st</sup> March 2015)				No. of Shares held at the end of the year (as on 31 <sup>st</sup> March 2016)				Change in shareholding during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
Indian									
- Bodies Corp.		11,94,20,800	11,94,20,800	92.79		13,47,41,600	13,47,41,600	93.05	0.26
<b>Total Shareholding of Promoter (A)</b>		11,94,20,800	11,94,20,800	<b>92.79</b>		13,47,41,600	13,47,41,600	<b>93.05</b>	<b>0.26</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
Financial Institutions		50,00,000	50,00,000	3.89		50,00,000	50,00,000	3.45	-
<b>Sub-total (B)(1)</b>		50,00,000	50,00,000	3.89		50,00,000	50,00,000	3.45	-
<b>2. Non- Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian		42,79,200	42,79,200	3.32		50,58,400	50,58,400	3.50	0.18
<b>Sub-total (B)(2):-</b>		42,79,200	42,79,200	3.32		50,58,400	50,58,400	3.50	0.18
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>		92,79,200	92,79,200	7.21		1,00,58,400	1,00,58,400	6.95	(0.26)
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	-	<b>12,87,00,000</b>	<b>12,87,00,000</b>	<b>100.00</b>	-	<b>14,48,00,000</b>	<b>14,48,00,000</b>	<b>100.00</b>	-

##### (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 Sales	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	11,94,20,800 (92.79)							13,47,41,600	93.05

##### (iii) Change in Promoters' Shareholding

Name of the Director / KMP (M/s.)	Opening Balance		Date of Dealing / Allotment	Allotment / Purchase or Sales	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 Services Limited	11,94,20,800	92.79	18.11.2015	Allotment	77,87,000		12,72,07,800	-	134741600	93.05
			27.02.2016		37,70,500		13,09,78,300			
			31.03.2016		37,63,300		13,47,41,600			

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

Name of the Director / KMP (M/s.)	Opening Balance		Date of Dealing / Allotment	Allotment / Purchase or Sales	No. of shares	% of total shares of the Company	Closing Balance	
	No. of shares	(% of the total share capital)					No. of shares	% of total shares of the Company
Housing Development Finance Corporation Limited	50,00,000	3.89	-	-	-	-	50,00,000	3.45
Phi Research Private Limited	35,00,000	2.71	-	-	-	-	35,00,000	2.42
Phi Capital Services LLP	7,79,200	0.61	31.03.2016	Allotment	7,79,200	0.54	15,58,400	1.08

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

## 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
<b>Indebtedness at the beginning of the financial year</b>			
i) Principal Amount	2,135.20	215.48	2,350.68
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	0.09	0.28	0.37
<b>Total</b>	<b>2,135.28</b>	<b>215.76</b>	<b>2,351.05</b>
<b>Change in Indebtedness during the financial year</b>			
• Addition	1,478.09	295.00	1,773.09
• Reduction	937.09	4.47	941.56
<b>Net Change</b>	<b>541.00</b>	<b>290.53</b>	<b>831.54</b>
<b>Indebtedness at the end of the financial year</b>			
i) Principal Amount	2,676.21	506.30	3,182.51
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	0.08	-	0.08
<b>Total</b>	<b>2,676.29</b>	<b>506.30</b>	<b>3,182.58</b>



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

Sl. No.	Particulars of Remuneration	Name of MD / WTD /Manager	Total Amount
		Mr Anupam Thareja (Whole Time Director)	
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	-	-
	(b) Value of perquisites u/s 17(2) 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 a % of profit	-	-
	- others, specify		
5.	Others, please specify	-	-
	Total (A)	-	-
	Ceiling as per the Act	-	-

**B. Remuneration to other directors:**

Name of the Director (M/s)	Board Meetings	Committees	Amount
Venu Srinivasan	30,000	10,000	40,000
T K Balaji	30,000	-	30,000
P Sivaram	10,000	-	10,000
R Ramakrishnan	30,000	1,60,000	1,90,000
S Santhanakrishnan	40,000	90,000	1,30,000
K N Radhakrishnan	30,000	30,000	60,000
V Srinivasa Rangan	10,000	20,000	30,000
Sudarshan Venu	30,000	-	30,000
Sasikala Varadachari	40,000	-	40,000
<b>Grand Total</b>	<b>2,50,000</b>	<b>3,10,000</b>	<b>5,60,000</b>

C. Remuneration to KMP:

(Rs in lakhs)

S. 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	236.52	79.19	-	315.71
(b)	Value of perquisites u/s 17(2) of Income-tax Act, 1961	0.97	0.07	-	1.04
(c)	Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-	-	-
2.	Stock Option	-	-	-	
3.	Sweat Equity	-	-	-	
4.	Commission - as % of profit - others, specify	-	-	-	
5.	Others, please specify	-		-	-
	<b>Total</b>	<b>237.49</b>	<b>79.26</b>	<b>-</b>	<b>316.75</b>

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: N.A

**Annexure - III**
**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013**
**1. Details of contracts or arrangements or transactions not at arm's length basis:**

(a)	Name of the related party	PHI Capital Services LLP
(b)	Nature of relationship	Directors, namely Mr Anupam Thareja and Mr P Sivaram are directors / partners of PHI Research Private Limited / PHI Capital Services LLP respectively holding more than prescribed percentage of capital in the respective entities.
(c)	Duration of the contracts / arrangements/ transactions	5 years from 16 <sup>th</sup> April 2010
(d)	Nature of contracts/ arrangements / transactions	Professional services as defined in the Alliance Agreement dated 16 <sup>th</sup> April 2010
(e)	Salient terms of the contracts or arrangements or transactions including the value, if any	<p>On achievement of desired profits by the Company and consideration :</p> <p>Profit before tax (PBT) for the period from 1<sup>st</sup> October 2012 to 30<sup>th</sup> September 2013 Rs. 12 Cr – Consideration was settled by way of allotment of 7,79,200 equity shares during the financial year 2013-2014.</p> <p>PBT for the period from 1<sup>st</sup> October 2013 to 30<sup>th</sup> September 2014 Rs. 32.41 Cr – Consideration was settled by way of allotment of 7,79,200 equity shares during the financial year 2015-16.</p> <p>PBT for the period from 1<sup>st</sup> October 2014 to 30<sup>th</sup> September 2015 Rs. 65.30 Cr – Consideration to be settled by way of allotment of 15,58,400 or equivalent to the value of such shares during the financial year 2016-17.</p>
(f)	Justification for entering into such contracts or arrangements or transactions	PHI Research Private Limited (PHI), who had in-depth knowledge in the field of banking, financial services, automobiles, investment banking and joint ventures in the field of automobiles and financial services sector, offered to render their services.
(g)	Date (s) of approval by the Board, if any	27 <sup>th</sup> March 2015 for allotment of 7,79,200 equity shares 24 <sup>th</sup> December 2015 for allotment of 7,79,200 equity shares 17 <sup>th</sup> June 2016 for allotment of 15,58,400 equity shares
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	30 <sup>th</sup> March 2015
(i)	Amount paid as advances, if any:	Nil

**2. Details of material contract, arrangement or transaction at arm's length basis:**

NIL

**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 programs for the transformation and sustainable development of the rural communities at large.

2. Overview of projects or programs proposed to be 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 programs - [www.tvscredit.co.in](http://www.tvscredit.co.in).

4. Composition of the CSR Committee.

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

5. Average net profit of the Company for last three financial years Rs. 1636 lakhs

6. Prescribed CSR Expenditure (2% of the amount as in item 5 above) Rs. 33 lakhs

7. Details of CSR spent during the financial year

(a) Total amount spent for the financial year Rs. 33 lakhs

(b) Amount unspent, if any Not Applicable

(c) 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 – Reference to item no. to Schedule VII	(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 and Navatirupati</li> <li>• Mysore and Chamrajnagar</li> <li>• Himachal Pradesh</li> </ul>
4	Local Area / Others:	
	State & district:	<ul style="list-style-type: none"> <li>- Tamil Nadu : Krishnagiri, Tiruvannamalai, Tirunelveli and Thoothukudi districts</li> <li>- Karnataka: Mysore and Chamrajnagar district</li> <li>- Himachal Pradesh: Solan district</li> </ul>
	Amount outlay (budget) project or program-wise:	Rs. 600.00 lakhs
5	Amount spent on the projects or programmes:	Rs. 586.48 lakhs (including contribution of the Company of Rs. 33 Lakhs)

6	Sub-heads:	
	Direct expenses On projects / programs:	Rs. 586.48 lakhs (including contribution of the Company of Rs. 33 Lakhs)
	Overheads:	Nil
	Cumulative expenditure upto the reporting period:	Rs.586.48 lakhs (including contribution of the Company of Rs. 33 Lakhs)

8. In case the company has failed to spend the 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.

**- Not applicable -**

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: June 17, 2016

VENU SRINIVASAN  
Chairman & Chairman of CSR Committee

**FORM NO. MR-3**

**SECRETARIAL AUDIT REPORT OF TVS CREDIT SERVICES LIMITED  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2016**

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

To

The Members

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

CIN: U65920TN2008PLC069758  
Authorised Capital: Rs.200.00 Crores  
Paid up capital : Rs.144.80 Crores

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 authorized 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 31<sup>st</sup> March, 2016 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 31<sup>st</sup> March, 2016 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 Insider Trading) Regulations, 1992; (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; (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (e) 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; (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and (g) 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
  - 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) Service Tax laws & Rules made thereunder
  - 10) Indian & State Stamp Act and Rules ;



- 11) Competition Act, 2002
- 12) Trade & Merchandise Marks Act, 1958;
- 13) Patents act
- 14) Copy Rights Act or any licences issued thereunder

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

- i) The company has complied with 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;
- 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 Executive Directors, 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 Liabilities Management Committee, or CSR 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) Reconstituted 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.33.00 lacs, constituting 2% of average net profits for the immediate past three financial years, for the financial year 2015-16 has been spent on the projects/ programs 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;
- 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 1,61,00,000 equity shares of Rs.10/- at a premium of Rs.51/-per equity share 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 31<sup>st</sup> March, 2016 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.3000 Crores 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
- v) No Foreign technical collaborations have been entered into during the year under review.

Place : Chennai.  
Date : 17/06/2016

Signature :  
Name of the Company Secretary: T.N.SRIDHARAN,  
C.P.No.4191.

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

CIN: U65920TN2008PLC069758  
Authorised Capital: Rs.200.00 Crores  
Paid up capital : Rs.144.80 Crores

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 : 17/06/2016

Signature  
Name of the Company Secretary: T.N.SRIDHARAN  
C.P.No.4191.

## REPORT ON CORPORATE GOVERNANCE

### 1. 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 31<sup>st</sup> March 2016, the board comprises of ten Directors, viz.,

S. No.	Name of the directors (M/s.)	Designation
1.	Venu Srinivasan	Non-Executive Chairman
2.	Anupam Thareja	Whole-time Director
3.	Sudarshan Venu	Non-Executive Director
4.	S Santhanakrishnan	Non-Executive Independent Director
5.	R Ramakrishnan	Non-Executive Independent Director
6.	V Srinivasa Rangan	Non-Executive Independent Director
7.	Sasikala Varadachari	Non-Executive Independent Director
8.	T K Balaji	Non-Executive Director
9.	K N Radhakrishnan	Non-Executive Director
10.	P Sivaram	Non-Executive 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, Asset Liability Management Committee, Risk Management Committee and Nomination and Remuneration 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.

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 members:

S. No.	Name of the Directors (M/s.)	Status
1.	R Ramakrishnan	Non-Executive Independent Director
2.	S Santhanakrishnan	Non-Executive Independent Director
3.	V Srinivasa Rangan	Non-Executive Independent Director
4.	K N Radhakrishnan	Non-Executive Director

**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 laid 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 commitment to 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 SMPs 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 SMPs. 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.

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

S. No.	Name of the Directors (M/s.)	Status
1.	R Ramakrishnan	Non-Executive Independent Director
2.	V Srinivasa Rangan	Non-Executive Independent Director
3.	K N Radhakrishnan	Non-Executive Director

**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 risk 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/minimization plans.

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

S. No.	Name of the Directors (M/s.)	Status
1.	Anupam Thareja	Whole Time Director
2.	R Ramakrishnan	Non-Executive Independent Director
3.	S Santhanakrishnan	Non-Executive Independent Director

**d. Asset Liability Management Committee:**

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 members:

S. No.	Name of the Directors (M/s.)	Status
1.	Anupam Thareja	Whole Time Director
2.	R Ramakrishnan	Non-Executive Independent Director
3.	S Santhanakrishnan	Non-Executive Independent Director
4.	Sudarshan Venu	Non-Executive Director

### Related Party Transactions Policy

The Company has formulated a policy on related party transactions. The Audit Committee reviews and approves transactions (RPTs) 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 <http://www.tvscs.co.in>.

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

Name of Director (M/s.)	Board Meetings		Audit Committee Meetings		Whether present at previous AGM held on 29 <sup>th</sup> July 2015
	Held	Attended	Held	Attended	
Venu Srinivasan	4	3	-	-	Yes
Anupam Thareja	4	4	-	-	Yes
T K Balaji	4	3	-	-	No
R Ramakrishnan	4	3	4	3	Yes
P Sivaram	4	1	-	-	Yes
K N Radhakrishnan	4	3	4	3	Yes
V Srinivasa Rangan	4	1	4	1	No
Sasikala Varadachari	4	4	-	-	No
Sudarshan Venu*	4	3	-	-	Yes
S Santhanakrishnan**	4	3	3	3	No

\* Appointed as non-executive director of the Company w.e.f 23<sup>rd</sup> June 2015.

\*\* Appointed as non-executive independent director of the Company w.e.f. 29<sup>th</sup> July 2015.

- 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.



## INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016 TO THE MEMBERS OF TVS CREDIT SERVICES LIMITED

### Report on the Standalone Financial Statements

1. We have audited the accompanying financial statements of TVS Credit Services Limited, Chennai ('the Company'), which comprise the Balance Sheet as at March 31, 2016, 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 Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
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 judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give 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 financial statements.

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 financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

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, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in Annexure B, and

- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to 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. 21 (3) to the financial statements.
  - ii. the Company did not have any long term contracts for which there were any material foreseeable losses - Refer Note No. 21 (17) to the financial statements.
  - 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 Reg. No. 109208W

S. Venkatraman  
Partner  
M. No. 34319

Place: Chennai  
Date: June 17, 2016

## ANNEXURE A TO INDEPENDENT AUDITORS' REPORT - MARCH 31, 2016

(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 Fixed Assets at Chennai have been physically verified by an external agency and at all other locations by Management during the year. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the company, the title deeds of immovable properties are held in the name of the company.
- ii. As the Company is a Non-Banking Finance Company it does not hold any physical inventories. Therefore, paragraph 3(ii) 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 partnerships or other parties covered in the register maintained under section 189 of the Act.
- iv. In our opinion and according to the information and explanations given to us and based on our examination of the records of the Company, the provisions of section 185 and 186 of the Act are inapplicable to the Company. Therefore, the provisions of paragraph 3(iv) of the Order are not applicable to the Company.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public.
- vi. The Central Government has not prescribed maintenance of cost records under section 148(1) of the Companies Act, 2013. Therefore, the provisions of clause (iv) of the para 3 of the Order are not applicable to the Company.
- vii. (a) According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues of Provident Fund, Employees' State Insurance, Income Tax, Service Tax, Value Added Tax and Cess. There is no liability in respect of duty of Customs, Excise duty, Sales tax. There are no arrears of Provident Fund, Employees' State Insurance, Income tax, Service Tax, Value Added Tax and Cess outstanding as at March 31, 2016 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income Tax, Service Tax, Sales Tax and Value Added Tax which have not been deposited on account of any dispute.
- 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. The Company has not raised any monies against issue of debentures.

- ix. In our opinion and 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 32 cases of frauds in the nature of 'fraudulent encashment/manipulation of books of accounts' amounting to Rs. 22.13 lacs, on the Company have been noticed or reported during the year.
- xi. In our opinion and 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 the Order is not applicable.
- xiii. In our opinion and 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 the 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 amount raised have been used for the purpose for which the funds were raised.
- xv. In our opinion and 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 that fall within section 192 of the Act.
- 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 Reg. No. 109208W

S. Venkatraman  
Partner  
M. No. 34319

Place: Chennai  
Date: June 17, 2016

## **ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT - MARCH 31, 2016**

(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 March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

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 judgment, 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 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 March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Chennai  
Date: June 17, 2016

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

S. Venkatraman  
Partner  
M. No. 34319

**BALANCE SHEET AS AT MARCH 31, 2016**

(Rs. In Lakhs)

Particulars	Note No.	As at 31st March 2016	As at 31st March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	14,480.00	12,870.00
Reserves and Surplus	3	<u>39,632.74</u>	<u>26,355.94</u>
		<u>54,112.74</u>	<u>39,225.94</u>
<b>Non-Current Liabilities</b>			
Long Term Borrowings	4	113,517.50	72,063.63
Other Long Term Liabilities	5	9,871.15	7,570.94
Long Term Provisions	6	<u>2,929.74</u>	<u>2,116.43</u>
		<u>126,318.39</u>	<u>81,751.00</u>
<b>Current Liabilities</b>			
Short Term Borrowings	4	117,994.12	117,933.29
Trade payables			
(i) Micro and Small Enterprises		—	—
(ii) Creditors other than Micro and Small Enterprises		7,344.91	1,548.43
Other Current Liabilities	8	108,295.17	58,244.28
Short-term Provisions	6	<u>5,216.02</u>	<u>3,972.12</u>
		<u>238,850.21</u>	<u>181,698.12</u>
<b>Total</b>		<b><u>419,281.34</u></b>	<b><u>302,675.06</u></b>
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Fixed Assets			
(i) Tangible assets	9	4,175.62	3,660.28
(ii) Intangible assets	9	<u>116.96</u>	<u>111.61</u>
		<u>4,292.58</u>	<u>3,771.89</u>
Long term loans and advances	10	707.58	668.00
Other Non Current Asset	11	22,017.00	22,017.00
Receivable from Financing Activities	12	<u>163,526.21</u>	<u>117,088.44</u>
		<u>186,250.79</u>	<u>139,773.44</u>
Deferred Tax Asset (net)		2,120.86	1,382.49
<b>Current Assets</b>			
Trade receivables	13	315.21	171.84
Cash and cash equivalents	14	29,330.48	15,420.68
Short-term loans and advances	10	1,278.50	1,076.06
Receivable from Financing Activities	12	195,321.88	140,878.07
Other current assets	15	<u>371.04</u>	<u>200.59</u>
		<u>226,617.11</u>	<u>157,747.24</u>
<b>Total</b>		<b><u>419,281.34</u></b>	<b><u>302,675.06</u></b>
Significant Accounting Policies forming part of financial statements	1		
Additional Notes forming part of financial statements	21		

As per our report of even date

For and on behalf of the Board

For V. SANKAR AIYAR &amp; CO.

 Chartered Accountants  
 ICAI Regn No. 109208W

 S. Venkatraman  
 Partner  
 Membership No. 34319

Chairman

Wholetime Director

 Place: Chennai  
 Date: June 17, 2016

Company Secretary

Chief Executive Officer

Chief Financial Officer



**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2016** (Rs. In Lakhs)

Particulars	Note No.	For the year ended 31st March 2016	For the year ended 31st March 2015
<b>INCOME</b>			
Revenue from operations	16	82,487.81	57,449.18
Other Income	17	361.91	141.18
<b>Total</b>		<b>82,849.72</b>	<b>57,590.36</b>
<b>EXPENSES</b>			
Finance costs	18	27,975.03	20,875.86
Business origination and Recovery Cost		10,771.15	7,866.94
Employee benefit expenses	19	20,911.60	14,461.72
Depreciation and amortization expense	9	1,054.73	766.33
Other expenses	20	11,005.93	7,023.80
Bad debts Written Off		1,541.94	1,139.38
Provision for bad and doubtful debts	7	1,675.80	1,054.74
<b>Total</b>		<b>74,936.18</b>	<b>53,188.77</b>
<b>Profit before tax</b>		<b>7,913.54</b>	<b>4,401.59</b>
<b>Tax expense:</b>			
Current Tax		3,586.10	2,027.33
MAT Credit Entitlement		—	—
MAT Credit adjusted		—	—
Deferred Tax Liability/(Asset)		(738.37)	(547.20)
<b>Profit after tax for the year</b>		<b>5,065.81</b>	<b>2,921.45</b>
<b>Earning per equity share:</b>			
Basic Earnings per Share in Rs		3.83	2.57
Diluted Earnings per Share in Rs.		3.78	2.51
Significant Accounting Policies forming part of financial statements	1		
Additional Notes forming part of financial statements	21		

As per our report of even date  
 For V. SANKAR AIYAR & CO.  
 Chartered Accountants  
 ICAI Regn No. 109208W

S. Venkatraman  
 Partner  
 Membership No. 34319  
 Place: Chennai  
 Date: June 17, 2016

Company Secretary

For and on behalf of the Board

Chairman

Wholetime Director

Chief Executive Officer

Chief Financial Officer

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016** (Rs. In Lakhs)

Particulars	For the year ended 31st March 2016	For the year ended 31st March 2015
<b>Cash flow from Operations</b>		
Profit before tax	7,913.54	4,401.58
<b>Adjustments for</b>		
Depreciation	1,054.73	766.33
Provision for bad and doubtful debts	1,675.80	1,054.74
Bad Debts Written Off	1,541.94	1,139.38
Loss on Sale of Foreclosures	1,440.85	494.41
Provision for Doubtful Assets no longer required and written back	(2.03)	(20.69)
Loss on sale of Assets	—	—
Discard of Fixed Assets	—	4.79
Shares issued in lieu of professional charges incurred	475.31	381.81
Provision for Employee Related Expenses	101.12	318.09
Financing Charges	27,975.02	20,875.85
Interest earned	(19.95)	(263.97)
	34,242.79	24,750.74
Operating Profit Before Working Capital changes	42,156.33	29,152.32
<b>Adjustments for</b>		
(Increase)/Decrease in Receivables under financial activities (NBFC)	(103,864.39)	(81,890.15)
(Increase)/Decrease in Trade Receivables	(143.38)	0.77
(Increase)/Decrease in Loans & Advances	(450.77)	(2,179.69)
(Increase)/Decrease in Bank deposit held as collateral security for de-recognised assets and lien marked	(3,140.68)	(3,113.16)
Interest received	122.08	63.43
(Increase)/Decrease in Other Non Current Assets	—	—
(Increase)/Decrease in Other Current Assets	(272.58)	—
Increase/(Decrease) in Trade payables & Other Liabilities	57,885.43	27,254.16
	(49,864.29)	(59,864.64)
Financing Charges paid	(27,712.87)	(21,388.04)
Income Tax Paid	(3,095.01)	(1,959.39)
	(30,807.88)	(23,347.43)
<b>Net Cash used in Operation - (A)</b>	(38,515.85)	(54,059.75)

**CASH FLOW STATEMENT** (Contd.)

(Rs. In Lakhs)

Particulars	For the year ended 31st March 2016	For the year ended 31st March 2015
<b>Cashflow from investing activity</b>		
Purchase of Fixed Assets	(1,575.42)	(1,052.12)
Proceeds from Sale of Fixed Assets	—	—
<b>Net Cash (used in) Investing Activity - (B)</b>	<b>(1,575.42)</b>	<b>(1,052.12)</b>
<b>Cashflow from financing activity</b>		
Proceeds from issue of Share Capital	1,532.08	1,982.08
Share Premium Received	7,813.61	7,730.11
Decrease in Share Application	—	—
Proceeds/(Repayment) of Term Loan from Bank	41,453.87	14,344.41
Increase/(Decrease) in Loan from Others	—	—
Increase/(Decrease) in Short term Borrowings	60.83	25,368.24
<b>Net Cash from financing activity - ( C)</b>	<b>50,860.39</b>	<b>49,424.84</b>
<b>Net Increase/(Decrease) in Cash and cash equivalents (A+B+C)</b>	<b>10,769.12</b>	<b>(5,687.03)</b>
Cash and cash equivalents at the beginning of the year	11,119.73	16,806.76
Cash and cash equivalents at the end of the year	21,888.85	11,119.73
	<b>10,769.12</b>	<b>(5,687.03)</b>
<b>Note:</b>		
Cash and cash equivalents at the end of the year	29,330.48	15,420.68
Less: Bank Deposits under Lien	7,441.63	4,300.95
	<b>21,888.85</b>	<b>11,119.73</b>

Note : Previous year figures have been regrouped to confirm to current year groupings.

 As per our report of even date  
 For V. SANKAR AIYAR & CO.  
 Chartered Accountants  
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 S. Venkatraman  
 Partner  
 Membership No. 34319  
 Place: Chennai  
 Date: June 17, 2016

Company Secretary

For and on behalf of the Board

Chairman

Wholetime Director

Chief Executive Officer

Chief Financial Officer

## 1. Significant Accounting Policies forming part of Financial Statements

### COMPANY BACKGROUND

The Company received Certificate of Registration dated 13<sup>th</sup> April, 2010 from Reserve Bank of India and commenced Non-Banking Financial activity there on. The company is categorized 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 as referred to under Note. No. f(ii).

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 realized and settled within a period of 12 months from the date of the Balance Sheet.

#### b. Use of Estimates

The preparation of financial statements requires 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 recognized 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 / amortization and impairment, if any. Cost includes purchase price, taxes and duties less Excise duty and Service Tax as permitted under relevant Statute. 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 depreciation on fixed assets individually costing Rs.5,000/- is provided at 100%.

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 off during the year is calculated on pro- rata basis with reference to the date of addition/disposal.

## 1. Significant Accounting Policies (Contd.)

### d. Intangible Assets

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

### e. Revenue Recognition

- i. Interest income is recognized under the Internal Rate of Return Method on accrual basis. In the case of non-performing loans, interest income is recognized on realization, as per RBI guidelines. Interest recognized as income in the previous year is reversed in the month in which loan is classified as Non Performing as per RBI norms.
- ii. Incomes by way of service charges like processing fee, documentation charges, subvention income received from dealers/manufacturers are recognized on disbursement of loan.
- iii. Incomes in the nature of overdue interest and bounce charges are recognized on realization, due to uncertainty of collection.
- iv. Interest revenue from deposits with banks is recognized on time proportion basis taking into account the outstanding amount and the applicable rate of interest.
- v. Income from non-financing activity is recognized 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 un-matured Income, wherever applicable, installments appropriated up to the year end and amount written off.

- ii. Prudential Norms – Application & Provisioning for financing activities.

The company has followed the directives of the Reserve Bank of India (RBI) on Prudential Norms on Income recognition, Asset classification, Provisioning requirement etc. issued from time to time. Accordingly, as required in the said directions, the Company has not accrued income in respect of Loan Assets, which are Non Performing. In addition, on assets which are past due between 90 to 180 days provision is created, on the outstanding amount, as per the provisioning norms approved by the Board of Directors, for each type of lending activity which is based on internal estimates, past experience and other relevant factors, on the outstanding amount. 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. Securitization / Assignment of Receivables

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

- i. Securitised/assigned receivables are derecognized in the balance sheet on its sale, i.e. when they fully meet with the 'true sale' criteria.
- ii. Company's contractual rights to receive the share of future interest (i.e. interest spread) in the transferred assets, from the SPV is capitalized at the present value as interest only (I/O) strip with a corresponding liability created for unrealized gain on loan transfer transactions.
- iii. The excess interest spread on the securitization transaction is recognized 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 recognized upfront.

## 1. Significant Accounting Policies (Contd.)

### 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 recognized if there is virtual certainty that there will be sufficient future taxable income available to realize such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize 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 LIC/ independent actuary.
- 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 recognized 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, payables etc., are translated at year end exchange rates.
- lii) 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 recognized 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 as underlying asset or liability are recognized in the Profit and Loss Statement. Premium or discount on forward contract is amortised over the life of such contracts and is recognized as income or expense.

## 1. Significant Accounting Policies (Contd.)

### k. Service Tax Input Credit

Service Tax input credit is accounted as receivable when the underlying service is received, as per the Service Tax Rules applicable to Non-Banking Financial activities.

### l. Prepaid Expenses

Processing fee on loan borrowed is amortized over the tenor of the respective loan. Un-amortized 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 recognized 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.

### 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 recognized wherever carrying amount of the assets exceeds its recoverable amount. Any such impairment loss is recognized by charging it to the Statement of Profit and Loss. A previously recognized 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 recognized as per the terms of the lease.

**2. SHARE CAPITAL**

(Rs. In Lakhs)

Sl. No.	Description			As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
a	<b>Authorised Share Capital:</b> 20,00,00,000 Equity shares of Rs.10 each (Previous year 15,00,00,000 Equity Shares) – Unclassified Shares of Rs.10 each (Previous year 50,00,00,000 Unclassified Shares)			20,000.00	15,000.00
				–	5,000.00
				<u>20,000.00</u>	<u>20,000.00</u>
b	<b>Issued, Subscribed and Fully Paid up Share Capital:</b> 14,48,00,000 number of Equity shares of Rs.10 each (Previous year 12,87,00,000 Equity Shares of Rs.10 each)			14,480.00	12,870.00
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>			12,87,00,000	10,81,00,000
	Add: Preferential Allotment made during the year			1,61,00,000	2,06,00,000
	<b>Number of equity shares at the end of the year</b>			14,48,00,000	12,87,00,000
e	<b>Equity Shares held by Holding Company and its associates</b>				
	<b>Particulars</b>	<b>No. of Shares</b>	<b>% of Shares</b>	<b>No. of Shares</b>	<b>% of Shares</b>
	Holding Company - TVS Motor Services Limited	13,47,41,540	93.05	11,94,20,740	92.79
f	<b>Number of shares held by share holders more than 5% of total shares</b>				
	TVS Motor Services Limited	13,47,41,540	93.05	11,94,20,740	92.79
	Housing Development Finance Corporation Limited	50,00,000	3.45	50,00,000	3.88
	PHI Research Private Limited	35,00,000	2.42	35,00,000	2.72
	PHI Capital Services LLP	15,58,400	1.08	7,79,200	0.61
g	<b>Terms/Rights attached to equity shares</b>				
	a) The Company has converted unclassified shares into equity shares of Rs.10 each, during the year.				
	b) 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.				
	c) 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				



**2. SHARE CAPITAL (Contd.)**

	<p>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 2014-15 to 2016-17 (wherein financial year is to be reckoned as that beginning from 1st October to 30th September).</p> <p>d) The shares allotted to PHI Research Private Limited have a lock in period of 5 years from the date of allotment as per the share subscription agreement entered into with them. 7,79,200 number of fully paid up equity shares allotted in 2014-15(having a lock in period of 3 years from the date of allotment) and 7,79,200 number of fully paid up equity shares allotted in 2015-16 (having a lock in period of 2 years from the date of allotment) to PHI Capital Services LLP as per terms referred above, have been made for a consideration received other than cash.</p>
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**3. RESERVES AND SURPLUS**

(Rs. In Lakhs)

Sl. No.	Description	As at 31 March 2016		As at 31 March 2015	
		Amount	Amount	Amount	Amount
<b>a</b>	<b>Share Premium Reserve</b>				
	As per Last Balance Sheet	22,819.33		14,785.32	
	Add: Premium received on Preferential Allotment	8,211.00		8,034.00	
	Closing balance		31,030.33		22,819.32
<b>b</b>	<b>Statutory Reserve u/s 45-1(c) of Reserve Bank India Act, 1934</b>				
	As per Last Balance Sheet	1,054.84		470.55	
	Add: Additions During the year	1,013.16		584.29	
	Closing balance		2,068.00		1,054.84
<b>c</b>	<b>Surplus/(Deficit) from Profit &amp; Loss Account</b>				
	As per Last Balance Sheet	2,481.78		144.62	
	Add: Net Profit for the year	5,065.81		2,921.45	
	Less: Transfer to Statutory Reserve	1,013.16		584.29	
	Closing balance		6,534.41		2,481.78
			<b>39,632.74</b>		<b>26,355.94</b>

**4. BORROWINGS**

(Rs. In Lakhs)

Sl. No.	Description	NON-CURRENT		CURRENT	
		As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
	<b>LONG TERM TERM LOAN</b>				
<b>a.</b>	<b>From Bank</b>				
	Sub Ordinated Debt	1,875.00	5,000.00	4,575.00	–
	Term Loans	88,367.50	46,663.63	67,238.95	40,479.27
	Foreign Currency Term Loans	–	–	10,000.00	–
<b>b.</b>	<b>From Other Parties</b>				
	Senior Debt	410.75	829.50	418.75	418.75
	Sub Ordinated Debt	19,350.00	10,800.00	–	–
	Term Loans	3,514.25	8,770.50	4,506.25	4,172.92
		<b>113,517.50</b>	<b>72,063.63</b>	<b>86,738.95</b>	<b>45,070.94</b>
	<b>The above amount includes</b>				
	Secured Borrowings	91,881.75	55,434.13	81,745.20	44,652.19
	Unsecured Borrowings	21,635.75	16,629.50	4,993.75	418.75
	Amount disclosed under the head “Other Current Liabilities”	–	–	(86,738.95)	(45,070.94)
		<b>113,517.50</b>	<b>72,063.63</b>	<b>–</b>	<b>–</b>
	<b>SHORT TERM</b>				
	Working Capital Demand Loan and Cash Credit Loan repayable on Demand				
	- From Banks	–	–	88,994.12	108,433.29
	- From Other Parties	–	–	5,000.00	5,000.00
	Term Loan from Bank	–	–	4,000.00	2,000.00
	Commercial Papers	–	–	20,000.00	2,500.00
		–	–	<b>117,994.12</b>	<b>117,933.29</b>
	<b>The above amount includes</b>				
	Secured Borrowings	–	–	93,994.12	113,433.29
	Unsecured Borrowings	–	–	24,000.00	4,500.00
		–	–	<b>117,994.12</b>	<b>117,933.29</b>
<b>1</b>	<b>Security</b>				
a	Holding Company and an affiliate Company have given guarantee in the form of Put Option amounting to Rs.5,000 lakhs (Previous Year Rs.5,000 lakhs) towards Sub-Ordinated Debt.				
b	An affiliate company has given guarantee to Other Parties for Senior Debt amounting to Rs.829.50 lakhs inclusive of Current and Non Current dues (Previous Year Rs.1,248.25 lakhs).				
c	Term loan received from Other Parties, Rs.2,520.50 lakhs inclusive of Current and Non Current Dues (Previous Year Rs.3,776.75 lakhs) is secured by way of first and exclusive charge on the assets of the Company and further secured by equitable mortgage of portion of land of Holding Company.				
d	Term loan received from Banks and Other Parties of Rs.1,70,276.95 lakhs inclusive of Current and Non Current Dues (Previous Year Rs.96,309.57 Lakhs) is secured against hypothecation of receivables under the financing activity of the Company.				
e	Working Capital Demand Loan and Cash credit of Rs.93,994.12 lakhs (Previous Year Rs.1,13,433.29 lakhs) is secured by hypothecation of receivables under the financing activity of the Company.				

**4. BORROWINGS (Contd.)**
**2 Repayment Terms**

Institution	Amount outstanding as on 31st March 2016	No. of Instalments	Frequency	Amount of Instalments	Repayable	
	Rs. In Lakhs			Rs. In Lakhs	From	To
Sub-Ordinated Debt						
From Other Parties	5,800.00	4	Annual	1,450.00	Jun-17	Jun-20
From Other Parties	5,000.00	1	Bullet Payment	5,000.00	Sep-20	-
From Bank	2,500.00	4	Annual	625.00	Feb-17	Feb-20
From Bank	2,500.00	1	Bullet Payment	2,500.00	Jul-16	-
From Other Parties	5,000.00	1	Bullet Payment	5,000.00	Jul-21	-
From Other Parties	5,000.00	1	Bullet Payment	5,000.00	Sep-21	-
Senior Debt						
From Other Parties	3,350.00	2	Annual	1,675.00	Jun-16	Jun-17
Term Loan						
From Bank	1,333.33	8	Monthly	166.67	Apr-16	Nov-16
From Bank	1,667.94	2	Quarterly	833.33	Jun-16	Sep-16
From Bank	1,000.00	1	Quarterly	1,000.00	Jun-16	-
From Bank	2,023.55	2	Quarterly	1,000.00	Jun-16	Sep-16
From Bank	9,393.94	31	Monthly	303.03	Apr-16	Oct-18
From Bank	2,025.65	2	Quarterly	1,000.00	Jun-15	Sep-16
From Bank	2,080.97	5	Quarterly	417.00	Jun-16	Jun-17
From Bank	3,000.00	3	Quarterly	1,000.00	Jun-16	Dec-16
From Bank	5,000.07	4	Quarterly	1,250.00	Jun-16	Mar-17
From Bank	6,000.00	17	Monthly	333.33	May-16	Sep-17
From Bank	2,500.00	18	Monthly	138.89	Apr-16	Sep-17
From Bank	1,000.00	4	Quarterly	250.00	May-16	Feb-17
From Bank	666.67	8	Quarterly	83.33	May-16	Feb-18
From Bank	16,671.14	10	Quarterly	1,666.67	Jun-16	Sep-18
From Bank	1,750.00	21	Monthly	83.33	Apr-16	Dec-17
From Bank	10,000.00	1	Bullet Payment	1,000.00	Jun-16	-
From Bank	20,000.00	10	Quarterly	2,000.00	May-16	Aug-18
From Bank	10,000.00	10	Quarterly	1,000.00	Jun-16	Sep-18
From Bank	3,000.80	10	Quarterly	300.00	Dec-16	Mar-19
From Bank	10,087.05	12	Quarterly	833.33	Sep-16	Jun-19
From Bank	4,166.67	10	Quarterly	416.66	Jun-16	Sep-18
From Bank	4,375.00	7	Quarterly	625.00	Jun-16	Dec-17
Foreign Currency Loan	10,000.00	8	Quarterly	1,250.00	Jun-16	Mar-19
from Bank						
From Bank	5,000.00	10	Quarterly	500.00	Aug-16	Nov-18
From Bank	8,074.37	8	Quarterly	1,000.00	Jun-16	Mar-18
From Bank	25,145.12	10	Quarterly	2,500.00	Aug-16	Nov-18
From Bank	2,000.00	1	Bullet Payment	2,000.00	May-16	-
From Bank	2,000.00	1	Bullet Payment	2,000.00	Sep-16	-
From Other Parties	4,500.00	6	Quarterly	750.00	Jul-16	Oct-17
From Other Parties	1,000.00	3	Half Yearly	333.33	Jul-16	Jul-17

**5. OTHER LONG TERM LIABILITIES**

(Rs. In Lakhs)

Description	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
- Security Deposit <sup>1</sup>	319.85	377.54
- Income received in Advance	542.39	162.49
- Advance received from Borrowers	6,977.00	6,372.31
- Advance Insurance premium collected from Borrowers <sup>2</sup>	2,031.91	658.60
	<b>9,871.15</b>	<b>7,570.94</b>

<sup>1</sup> Security Deposit includes Interest accrued, wherever applicable.

<sup>2</sup> Insurance premium collected from borrowers is towards insurance cover of hypothecated vehicles for future years.

**6. PROVISION**

(Rs. In Lakhs)

Description	LONG TERM		SHORT TERM	
	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>Provision for Taxation - (Net of Advance Tax and Tax deducted at source) (A)</b>	–	–	282.35	–
<b>Provision for Employee Benefits</b>				
- Compensated Absences	222.51	164.94	135.62	102.42
- Pension	571.45	617.11	–	–
- Gratuity	56.02	–	–	–
<b>Total of Provision for Employee Benefit (B)</b>	<b>849.98</b>	<b>782.05</b>	<b>135.62</b>	<b>102.42</b>
<b>Others</b>				
<b>As per RBI Norms</b>				
Provision for Standard Assets	613.37	425.76	725.05	528.69
Provision for Sub Standard Assets	127.00	101.98	64.35	4.92
Provision for Doubtful Assets	7.61	45.16	74.79	40.84
Provision for Loss Assets (Assets taken over from erst while TVS Finance and Services Limited (converted to Chennai Business Consulting Services Limited) vide BTA dated 21/04/2010)	–	–	2,548.37	2,550.40
<b>As per Company Norms</b>				
Provision for Standard Assets/ Incremental provision for Non Performing Assets, as per Company Norms	1,151.03	761.48	1,297.04	744.85
Contingent provision for De-recognised Assets	180.75	–	88.45	–
<b>Total of Provision for Receivables (C)</b>	<b>2,079.76</b>	<b>1,334.38</b>	<b>4,798.05</b>	<b>3,869.70</b>
<b>Total (A) + (B) + (C)</b>	<b>2,929.24</b>	<b>2,116.43</b>	<b>5,216.02</b>	<b>3,972.12</b>

**Provision represents provisions created:**

Vide Note No. 7 given below, for provision created as per RBI Norms and as per Company policy in respect of Standard, Non performing and de-recognised assets.

**7. CHANGES IN PROVISIONS**

(Rs. In Lakhs)

Description	Provision as on 01.04.2015	Net amount debited in P&L	Provision as on 31.03.2016
As per RBI Norms			
Provision for Standard Assets	954.45	383.98	1,338.42
Provision for Sub Standard Assets	106.89	84.47	191.36
Provision for Doubtful Assets	86.00	(3.60)	82.40
Provision for Loss Assets	–	–	–
Provision for Loss Assets taken over from TVSFS*	2,550.40	–	2,548.37
As per Company Policy			
Provision for Standard Assets /Incremental for Non Performing Assets as per Company Norms	1,506.32	1,210.95	2,717.27
	<b>5,204.06</b>	<b>1,675.80</b>	<b>6,877.82</b>

\* Balance as on 31st March 2016 is net of recovery of Rs.2.03 lakhs

**8. OTHER CURRENT LIABILITIES**

(Rs. In Lakhs)

Description	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>OTHER CURRENT LIABILITIES</b>		
- Current maturities of Long term debts	86,738.95	45,070.94
- Interest Accrued and due on Loans @	558.52	267.20
- Interest Accrued but not due on Loans	7.87	37.04
- Income received in Advance	429.62	213.65
<b>Other Payable</b>		
- Advance received from Borrowers	7,425.10	6,413.51
- Collection received from Borrowers	606.79	363.06
- Employee Related Liabilities	2,971.24	2,264.51
- Security Deposits	2,058.44	955.68
- Collections in respect of de-recognised assets (refer Note No.21.9)	6,178.31	1,160.10
- Advance Insurance premium collected from Borrowers #	594.09	1,225.09
- Statutory Dues	726.24	273.50
	<b>108,295.17</b>	<b>58,244.28</b>

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

# Insurance premium collected from borrowers is towards insurance cover of hypothecated vehicles for future years.

**9. FIXED ASSETS** (Rs. In Lakhs)

S. No.	Particulars	GROSS BLOCK (AT COST)			DEPRECIATION BLOCK			NET BLOCK			
		As at 1-Apr-15	Additions 2015-16	Deductions 2015-16	As at 31-Mar-16	As at 1-Apr-15	For the year 2015-16	Deductions 2015-16	Total as at 31-Mar-16	As at 31-Mar-16	As at 31-Mar-15
	<b>Tangible Assets</b>										
1	Land	2,513.17	329.20	-	2,842.37	-	-	-	-	2,842.37	2,513.17
2	Building	45.00	-	-	45.00	3.01	0.77	-	3.78	41.22	41.99
3	Furniture & Fixtures	773.15	398.48	-	1,171.63	469.48	183.52	-	653.01	518.63	303.67
4	Office Equipments	618.68	268.65	-	887.33	319.29	255.65	-	574.94	312.39	299.39
5	Vehicles	2.39	0.20	-	2.59	0.41	0.28	-	0.69	1.91	1.98
6	Computers	1,180.05	411.20	-	1,591.25	679.97	452.18	-	1,132.15	459.10	500.08
	<b>Tangible Assets - TOTAL</b>	<b>5,132.44</b>	<b>1,407.73</b>	<b>-</b>	<b>6,540.17</b>	<b>1,472.16</b>	<b>892.40</b>	<b>-</b>	<b>2,364.57</b>	<b>4,175.62</b>	<b>3,660.28</b>
	Previous Year	4,148.44	1,033.05	49.02	5,132.44	847.42	638.80	14.06	1,472.16	3,660.28	3,301.02
S. No.	Particulars	GROSS BLOCK (AT COST)			DEPRECIATION BLOCK			NET BLOCK			
		As at 1-Apr-15	Additions 2015-16	Deductions 2015-16	As at 31-Mar-16	As at 1-Apr-15	For the year 2015-16	Deductions 2015-16	Total as at 31-Mar-16	As at 31-Mar-16	As at 31-Mar-15
	<b>Intangible Assets</b>										
1	Computer Software	465.95	167.68	-	633.65	354.35	162.33	-	516.67	116.96	111.61
	<b>Intangible Assets - TOTAL</b>	<b>465.95</b>	<b>167.68</b>	<b>-</b>	<b>633.65</b>	<b>354.35</b>	<b>162.33</b>	<b>-</b>	<b>516.67</b>	<b>116.96</b>	<b>111.61</b>
	Previous Year	416.71	49.25	-	465.95	226.82	127.53	-	354.35	111.61	189.89

**10. LOANS AND ADVANCES - UNSECURED (UNLESS OTHER WISE STATED), CONSIDERED GOOD**

(Rs. In Lakhs)

Description	LONG TERM		SHORT TERM	
	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
Capital Advances	53.57	15.20	–	–
Balance with Excise Department	–	–	139.77	113.38
<b>Others:</b>				
Advance Tax/Tax deducted at source - (Net of Provision)	–	142.30	–	–
Prepaid Expenses	25.58	87.15	636.30	525.34
Rent Advance	482.70	351.78	–	–
Staff Advance	145.73	63.61	148.52	165.24
Deposit with Service Providers	–	7.96	92.35	80.15
Vendor Advance	–	–	98.93	50.58
Contractual Receivables	–	–	162.63	141.37
	<b>707.58</b>	<b>668.00</b>	<b>1,278.50</b>	<b>1,076.06</b>

**11. OTHER NON CURRENT ASSETS (CONSIDERED GOOD)**

(Rs. In Lakhs)

Description	SHORT TERM	
	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
Others - Receivable from Holding Company towards sale of Investments (vide Note No.21.4 )	22,017.00	22,017.00
<b>Total</b>	<b>22,017.00</b>	<b>22,017.00</b>
Secured	10,062.00	10,062.00
Unsecured	11,955.00	11,955.00
<b>Total</b>	<b>22,017.00</b>	<b>22,017.00</b>

**12. RECEIVABLES FROM FINANCING ACTIVITY**

(Rs. In Lakhs)

Description	NON-CURRENT		CURRENT	
	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>Secured</b>				
Automobile Financing	163,279.96	112,744.39	184,809.57	137,107.75
Instalments due from borrowers	-	-	4,183.70	3,354.46
<b>Unsecured</b>				
Trade Advance and Term loan	246.25	4,344.05	6,328.61	415.86
	<b>163,526.21</b>	<b>117,088.44</b>	<b>195,321.88</b>	<b>140,878.07</b>
<b>Of the above :</b>				
Considered Good	162,218.12	115,981.60	191,786.29	138,230.49
Others -				
Sub Standard Assets	1,270.05	1,019.77	643.54	49.17
Doubtful Assets	38.04	87.07	343.68	14.35
Loss Assets	-	-	2,548.37	2,584.06
(Non Performing Assets as per RBI Prudential Norms)	<b>163,526.21</b>	<b>117,088.44</b>	<b>195,321.88</b>	<b>140,878.07</b>

- a The stock of loan (automobile finance) includes 4088 nos (Previous year 4627 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. Security classification in respect of non performing asset is considered after provision made.

Details of Registration is in process or Registration no. not available.

Product	Nos	Receivable Value	Nos	Receivable Value
		(Rs.in Lakhs)		(Rs.in Lakhs)
Two Wheeler	138,295	41,415.45	83,696	23,740
Used Car	4,712	15,120.43	2,745	3,029
Tractor	5,789	18,812.45	5,275	13,126
Used Tractor	1,620	2,783.98	-	-

- 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 represents Receivables taken over from TVS Finance and Services Limited, (Converted to Chennai Business Consulting Services Limited) as part of Business Transfer Agreement dated 21st April 2010 to the extent of Rs.2,548.37 lakhs.

**13. TRADE RECEIVABLES - UNSECURED, CONSIDERED GOOD**

(Rs. In Lakhs)

Description	As at 31 <sup>st</sup> March 2015	As at 31 <sup>st</sup> March 2014
- Due for a period exceeding six months from the Due dates	-	-
- Others	315.21	171.84
	<b>315.21</b>	<b>171.84</b>



**14. CASH AND CASH EQUIVALENTS**

(Rs. In Lakhs)

Description	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>Balances with Banks</b>		
- In Current Account	19,709.57	10,425.13
<b>Cash on Hand *</b>	2,179.28	694.60
<b>OTHER BANK BALANCES</b>		
- In Fixed Deposits as Cash Collateral towards Assets de-recognised on assignment of receivables, lien marked favouring SPVs (represent Fixed Deposits exceeding 3 months and Less than 12 months) (Note. No.21.19.2 (a))	7,441.63	4,300.95
	<u>29,330.48</u>	<u>15,420.68</u>

\* Represents cash collected from borrowers as on Balance Sheet date, deposited with Bank on the next working day.

**15. OTHER CURRENT ASSETS**

(Rs. In Lakhs)

Description	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
Interest accrued on Fixed Deposits with Bank	66.21	168.34
Discount on Commercial Paper	304.83	32.25
	<u>371.04</u>	<u>200.59</u>

**16. REVENUE FROM OPERATIONS**

(Rs. In Lakhs)

Description	Year ended 31 <sup>st</sup> March 2016	Year ended 31 <sup>st</sup> March 2015
<b>Income from Financing Activity</b>		
<b>(i) Interest</b>		
- Automobile & Other Finance	60,914.27	42,832.45
- Interest spread on Securitisation/Assignment	2,790.76	968.62
- on Deposits - Cash Collateral towards assets de-recognised	422.12	246.09
<b>(ii) Other Operating Revenue</b>		
- <b>Automobile &amp; Other Finance</b>		
- Processing Fee	15,570.13	11,490.60
- Insurance Income	2,601.34	1,867.14
- Other Service Income	189.19	44.28
	<u>82,487.81</u>	<u>57,449.18</u>

**17. OTHER INCOME**

(Rs. In Lakhs)

Description	Year ended 31 <sup>st</sup> March 2016	Year ended 31 <sup>st</sup> March 2015
Interest Income on Staff Advance	19.95	17.89
Provision for Doubtful Assets no longer required and written back*	2.03	20.69
Bad debts Recovered	257.76	68.04
Liability no longer required written back	82.08	32.35
Other Non Operating Income	0.09	2.21
	<b>361.91</b>	<b>141.18</b>

\* Represents the recovery made and its corresponding balances written back out of the assets taken over from TVS Finance and Services Limited (converted to Chennai Business Consulting Services Limited), which have been fully provided for.

**18. FINANCE COST**

(Rs. In Lakhs)

Description	Year ended 31 <sup>st</sup> March 2016	Year ended 31 <sup>st</sup> March 2015
Interest Expenses		
- Bank Loans	20,694.80	14,576.91
- FIs	950.76	1,161.36
- NBFCs	2,024.63	1,586.93
- Others	—	15.55
<b>Other Borrowing Cost</b>		
- Discount on Commercial Papers	3,203.17	2,540.45
- Amortisation of Line of credit charges	331.20	330.83
- Bank charges	770.47	663.83
	<b>27,975.03</b>	<b>20,875.86</b>

**19. EMPLOYEE BENEFIT EXPENSES**

(Rs. In Lakhs)

Description	Year ended 31 <sup>st</sup> March 2016	Year ended 31 <sup>st</sup> March 2015
Salaries and Allowances	18,539.93	12,738.73
Contribution to provident and other funds	1,043.63	973.89
Staff welfare	1,328.04	749.10
	<b>20,911.60</b>	<b>14,461.72</b>

**20. OTHER EXPENSES**

(Rs. In Lakhs)

Description	Year ended 31 <sup>st</sup> March 2016	Year ended 31 <sup>st</sup> March 2015
Rent @	979.99	666.88
Insurance	358.90	210.02
Travelling and Conveyance	2,346.44	1,694.68
Communication expenses	1,633.91	1,227.38
Rates and Taxes	308.74	157.45
Payment to Auditor		
Statutory Audit	18.70	10.62
Tax Audit	4.28	5.06
Certification	3.49	3.27
Reimbursement of Expenses	0.72	0.73
Consultancy Fees	2,289.22	1,485.03
Electricity Charges	202.33	122.85
Discard of Fixed Assets	-	4.79
Loss on Foreclosures/ Repossessed Assets (Net)	1,440.85	494.41
Donation	506.80	100.50
Other expenses	911.56	840.13
	<b>11,005.93</b>	<b>7,023.80</b>

@ 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	2015-16	2014-15
Less than 1 year	242.21	235.78
Between 1 year and 5 years	449.11	439.33
More than 5 years	-	-

## 21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016

### 1. Capital Commitments

(Rs. in Lakhs)

Description	31 <sup>st</sup> March, 2016	31 <sup>st</sup> March, 2015
Estimated amount of contracts remaining to be executed on Capital Account not provided for	22.24	99.74

2. The Company does not have any other commitments, other than stated under Note No.2(g)(d).

### 3. Contingent Liabilities not provided for:- Claims against the company acknowledged as debts.

(Rs. in Lakhs)

Description	2015-16	2014-15
Disputed Income Tax Demand	105.99	—
Legal cases filed by borrowers against the company	142.10	99.74

The Company's pending litigations comprise of claims against the company and proceedings pending with Income Tax 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.

4. 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 of fixed assets, receivables, loans and advances and Bank balances) of Rs. 5,075.51 lakhs and liabilities (comprising of borrowings from Banks and Institution, current liabilities and provisions) of Rs. 29,875.51 lakhs. TVSFS issue Unsecured Redeemable Bonds for the excess of liabilities over assets of Rs. 24,800.00 lakhs (which stands at Rs. 22,017.00 lakhs as on the date of this balance sheet). 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 2010-11 at book value and the same is repayable by TVSMS in 6 years and is partly secured (being created) by the land owned by TVSMS and their receivables arising out of sale of land, whose book value is Rs. 10,062.00 lakhs (PY Rs. 10,062.00 lakhs). Considering the intrinsic value of land lying with Holding Company, the shares held by the Holding Company in the Company, the unsecured amount of Rs. 11,955.00 lakhs is considered good and recoverable. In the opinion of the company the receivable from TVSMS not being a credit exposure or an investment does not fall within the exposure norms prescribed under the Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding Companies Prudential Norms (Reserve Bank) Directions, 2015.

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**
**5. The break-up of Deferred tax (Assets)/Liabilities are as under: (Rs. in Lakhs)**

Timing Differences	Balance as at 01.04.2015	For the Year	Balance as at 31.03.2016
<b>Deferred Tax Asset</b>			
Provision for Compensated Absence	(77.47)	(18.47)	(95.94)
Provision for Bad and Doubtful Debts	(918.38)	(620.09)	(1538.47)
Provision for Pension	(213.57)	10.51	(203.06)
Fixed Assets - Depreciation	(173.07)	(110.32)	(283.39)
<b>Net Deferred Tax (Asset)/Liability</b>	<b>(1382.49)</b>	<b>(738.37)</b>	<b>(2120.86)</b>

**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)

Description	Gratuity		Compensated absence	
	2015-16	2014-15	2015-16	2014-15
Present value of defined benefit obligations at beginning of the year	293.92	267.29	267.36	163.47
Current service cost	89.90	54.76	86.37	59.02
Interest Cost	22.89	21.02	21.39	9.72
Actuarial (gains)/Losses	41.99	(40.09)	(16.99)	38.21
Benefits Paid	(15.52)	—	—	—
<b>Present value of defined benefit obligations at end of the period</b>	<b>433.18</b>	<b>302.98</b>	<b>358.12</b>	<b>270.42</b>
<b>Changes in Plan Assets</b>				
Fair value of the plan assets at the beginning of the year	351.12	230.49	—	—
Acquisition adjustments	—	—	—	—
Expected return on plan assets	31.22	24.74	—	—
Contributions	26.85	113.49	—	—
Benefits paid	(15.52)	(9.06)	3.06	3.06
Actuarial Gain /(Loss) on plan assets	(16.51)	(8.54)	—	—
<b>Fair value of plan assets at the end of the year</b>	<b>377.16</b>	<b>351.12</b>	<b>3.06</b>	<b>3.06</b>
<b>Amount recognised in the Balance Sheet under Note No.</b>				
Present value of funded defined benefit obligations at end of the year	(433.18)	(293.92)	358.12	267.36
Fair value of plan assets at end of year	377.16	351.12	—	—
Funded status	(56.02)	57.20	(358.12)	(267.36)
<b>Net (Liability) /Asset recognised in balance sheet at end of the year</b>	<b>(56.02)</b>	<b>—</b>	<b>—</b>	<b>—</b>

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

Description	Gratuity		Compensated absence	
	2015-16	2014-15	2015-16	2014-15
<b>Expense recognised in income statement</b>				
Current service cost	89.90	54.76	86.37	59.02
Interest cost	22.89	21.02	21.39	9.72
Expected return on plan assets	(31.22)	(24.74)	–	–
Curtailement cost / (credit)	–	–	–	–
Settlement cost / (credit)	–	–	–	–
Actuarial (gains) /losses	58.50	(40.09)	(16.99)	38.21
<b>Expense recognised in the Statement of Profit &amp; Loss a/c</b>	<b>140.07</b>	<b>10.95</b>	<b>90.77</b>	<b>106.95</b>
<b>Assumptions</b>				
Discount Rate	7.75%p.a	8.00%p.a	7.75%p.a	8.00%p.a
Interest Rate (Rate of Return on Assets)	8.85%p.a	8.75%p.a	–	–
Future Salary Increase	6.00%p.a	5.00%p.a	6.00%p.a	5.00%p.a
Attrition Rate	2.00%p.a	2.00%p.a	2.00%p.a	2.00%p.a

**7. Earnings per Share (EPS)**

Particulars		March 31, 2016	March 31, 2015
Profit / (Loss) after Tax for Basic EPS	Rs. in Lakhs	5,065.81	2,921.45
Weighted average number of Equity shares used in computing Basic earnings per share	Nos	13,22,96,396	11,38,43,837
Face value of Equity Shares	Rupees	10.00	10.00
<b>Basic Earnings per share</b>	<b>Rupees</b>	<b>3.83</b>	<b>2.57</b>
Profit after Tax for Basic EPS	Rs. in Lakhs	5,065.81	2,921.45
Profit after Tax for Diluted EPS	Rs. in Lakhs	5,065.81	2,921.45
Weighted average number of Equity shares used in computing Basic earnings per share	Nos	13,22,96,396	11,38,43,837
Potential weighted average number of Equity shares that could arise on issue of shares to PHI Capital Services LLP under Alliance agreement	Nos	15,58,400	23,37,600
Weighted average number of Equity shares in computing Diluted earnings per share	Nos	13,38,54,796	11,61,81,437
<b>Diluted Earnings per Share</b>	<b>Rupees</b>	<b>3.78</b>	<b>2.51</b>

- During the year, Company has acquired without recourse, Portfolio of Rs. Nil (Previous year Rs. 120.06 Lakhs) for a consideration of Rs. Nil (Previous year Rs.106.79 Lakhs) through assignment agreements. Accounting for the same is in line with the receivable from financing activity.
- As at the balance sheet date, the company has received dues of Rs. 6,178.31 lakhs (PY - Rs. 1,160.10 lakhs) included under bank balances, arising out of the assigned asset and the same is held as "payable to the Bank" and shown under Other Current Liabilities (Note No.8).

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**
**10. Disclosure in respect of Related Parties pursuant to Accounting Standard 18:**

Nature of Relationship	Parties name
Reporting Enterprise	TVS Credit Services Limited
Holding Company	TVS Motor Services Limited
Key managerial personnel (KMP)	Mr. Anupam Thareja, Whole Time Director
Enterprise over which Key Managerial Personnel is able to exercise significant influence	Phi Research Private Limited Phi Capital Services LLP

**Transactions with the Related Parties:**

(Rs. In Lakhs)

Sl. No.	Name of the Related Party	Nature of Transactions	Amount	Amount
			2015-16	2014-15
1	Holding Company - TVS Motor Services Ltd	Contribution towards equity share capital	1,532.08	1,982.08
		Contribution towards security Premium	7,813.61	7,730.11
		Advance received	–	3.00
		Balance outstanding (Dr.)	22,017.00	22,014.00
2.	Enterprise over which Key Managerial Personnel is able to exercise significant influence - PHI Capital Services LLP	Contribution towards equity share capital	77.92	77.92
		Contribution towards security Premium	397.39	303.89
		Cost of Professional Service rendered	777.65	614.15
		Balance outstanding	–	–

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 financing "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	2015-16	2014-15
Interest on Foreign Currency Loan	51.43	-
Professional and Consultancy Fees	26.59	-
Other Matters	13.04	-

**13. Earning as per Foreign Currency**

(Rs. in Lakhs)

Description	2015-16	2014-15
Earnings as per Foreign Currency	–	–

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

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 the opinion of the Management, the Current Assets, Loans & Advances have a value on realization in the ordinary course of business, at least equal to the amount at which they are stated in the balance sheet.

**16. Auditor' Remuneration**

(Rs. In Lakhs)

Description	2015-16	2014-15
As Auditors (including service tax of previous year)	18.70	10.62
Tax Audit (including service tax of previous year)	4.28	5.06*
Other Services	3.49	3.27
Reimbursement of Expenses	0.72	0.73

\* includes arrears.

17. 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.

**18. Expenditure incurred on Corporate Social Responsibility activities:**

a. Gross amount required to be spent during the year is Rs.33 lakhs.

b. Amount spent during the year:

(Rs.in Lakhs)

S. No.	Particulars	In cash	Yet to be paid in cash	2015-16	2014-15
1	Construction/acquisition of any asset	–	–	–	–
2	Expenses incurred through trusts	–	–	33.00	5.00



**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**
**19. 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*

S. No.	Description	Amount Outstanding	Amount Overdue
		as at March 31, 2016	
	<b>Liabilities</b>		
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
A	Debentures	–	–
	- Secured	–	–
	- Unsecured (other than falling within the meaning of public deposits)	–	–
B	Deferred Credits	–	–
C	Term Loans (including Sub Ordinated Debt)	2,04,256.45	–
D	Inter-corporate loans and borrowings	–	–
E	Commercial paper	20,000.00	–
F	Other loans - (Cash Credit)	93,994.12	–
	<b>Total</b>	<b>3,18,250.57</b>	<b>–</b>

S. No	Description	Amount Outstanding	Amount Overdue
		as at March 31, 2016	
	<b>Assets</b>		
(2)	<b>Break-up of Loans and Advances including bills receivable (other than those included in (4) below)</b>		
	(a) Secured	3,52,273.23	–
	(b) Unsecured considered good	8,560.95	–
(3)	<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	–	–

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

S. No	Description		Amount Outstanding	Amount Overdue
			as at March 31, 2016	
<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	–	–
		(b) Preference	–	–
	(ii)	Debentures and Bonds	–	–
	(iii)	Units of Mutual funds	–	–
	(iv)	Government securities	–	–
	(v)	Others (Pass through Certificates - Securitisation )	–	–
	Total		–	–

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

<b>(5) Borrower group -wise classification of assets financed as in ( 2 ) and ( 3 ) above</b>					
<b>Category</b>		<b>Amount (Net of provisions for Non-performing assets)</b>			
		<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>	
1.	Related Parties				
	(a)	Subsidiaries	-	-	-
	(b)	Companies in the same group	-	-	-
	(c)	Other related parties	-	-	-
2.	Other than related parties		3,49,451.10	8,560.95	3,58,012.05
<b>Total</b>			<b>3,49,451.10</b>	<b>8,560.95</b>	<b>3,58,012.05</b>

<b>(6) Investor group wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)</b>				
<b>Category</b>		<b>Market value / Break up or fair value of NAV</b>	<b>Book value (Net of provisions)</b>	
1	Related parties			
	(a)	Subsidiaries	-	-
	(b)	Companies in the same group	-	-
	(c)	Other related parties	-	-
2	Other than related parties		-	-

<b>(7) Other Information</b>			<b>Amount</b>
(i)	Gross Non-performing assets		
	(a)	Related Parties	-
	(b)	Other than related parties	4,843.67
			<b>4,843.67</b>
(ii)	Net - Non Performing assets		
	(a)	Related Parties	-
	(b)	Other than related parties	2,021.55
			<b>2,021.55</b>
(iii)	Assets acquired in satisfaction of debt		-

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

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

**a. Capital Adequacy Ratio**

(Rs. in Lakhs)

Description	2015-16	2014-15
Tier I Capital	49,240.29	35,567.07
Tier II Capital	20,443.28	12,343.46
<b>Total Capital</b>	<b>69,683.57</b>	<b>47,910.53</b>
<b>Total Risk Weighted Assets</b>	<b>3,86,208.48</b>	<b>2,85,463.73</b>
Amount of Subordinated Debt as Tier II Capital (Discounted Value)	18,150.00	11,435.00
<b>Capital Ratios</b>		
Tier I Capital as a Percentage of Total Risk Weighted Assets (%)	12.75%	12.46%
Tier II Capital as a Percentage of Total Risk Weighted Assets (%)	5.29%	4.32%
<b>Total (%)</b>	<b>18.04%</b>	<b>16.78%</b>
Amount of sub-ordinated debt raised as Tier II capital during the year	10,000.00	5,000.00

**b. Investments**

(Rs.in Lakhs)

S. No.	Description	2015-16	2014-15
<b>1</b>	<b>Value of Investments</b>		
i)	Gross Value of Investments		
	a) In India	—	—
	b) Outside India	—	—
ii)	Provision for Depreciation		
	a) In India	—	—
	b) Outside India	—	—
iii)	Net Value of Investments		
	a) In India	—	—
	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	—	—

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**
**c. Exposure to Real Estate sector, both Direct and Indirect**

(Rs. in Lakhs)

Description		2015-16	2014-15
<b>(a)</b>	<b>Direct Exposure (Net of Advances from Customers)</b>		
	<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)	—	—

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

**d. Exposure to Capital Market**

(Rs. In Lakhs)

Description		2015-16	2014-15
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.	—	—

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. In Lakhs)

Description		2015-16	2014-15
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)	—	—

**e. Asset Liability Management Maturity Pattern of certain items of Assets and Liabilities**

Time of Buckets	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Upto 30/31 Days	5.00	20,304.34	—	10,691.92	—	—
Over 1 month upto 2 Month	435.72	17,388.18	—	4,941.92	—	—
Over 2 months upto 3 Months	1,187.79	17,236.46	—	38,409.59	—	10,000.00
Over 3 months & upto 6 month	2,325.72	44,932.68	—	25,118.36	—	—
Over 6 month & upto 1 year	3,487.40	97,285.83	—	1,25,571.29	—	—
Over 1 year and upto 3 years	—	1,34,154.61	—	93,534.17	—	—
Over 3 years and upto 5 years	—	28,745.96	—	9,983.33	—	—
Over 5 years	—	1,198.61	—	10,000.00	—	—
<b>Total</b>	<b>7,441.63</b>	<b>3,61,246.66</b>	<b>—</b>	<b>3,18,250.57</b>	<b>—</b>	<b>10,000.00</b>

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**
**f. Disclosure of frauds reported during the year vide DNBS.PD.CC NO. 256/03.10.042/2011-12 dated 2 March, 2012**

Rs. In Lakhs)

Category		Less than Rs.1 lakh		Rs.1 to Rs.5 lakhs		Total	
		Count	Value	Count	Value	Count	Value
<b>A</b>	<b>Person Involved</b>						
	Staff	27	8.83	5	13.30	32	22.13
	Customers/Showroom Managers	–	–	–	–	–	–
	Staff and Customers	27	8.83	5	13.30	32	22.13
<b>B</b>	<b>Type of Fraud</b>						
	Misappropriation and Criminal breach of trust	–	–	–	–	–	–
	Fraudulent encashment / manipulation of books of accounts	27	8.83	5	13.30	32	22.13
	Unauthorised credit facility extended	–	–	–	–	–	–
	Cheating and Forgery	–	–	–	–	–	–
	<b>Total</b>	<b>27</b>	<b>8.83</b>	<b>5</b>	<b>13.30</b>	<b>32</b>	<b>22.13</b>

Out of the above, Rs.17.08 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.

**19.2. Note on Securitization**
**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 April 10, 2015**

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

(Rs. In lakhs)

S. No.	Description	2015-16	2014-15
1	No of SPVs sponsored by the NBFC for securitisation transactions	4 nos.	3 nos.
2	Total amount of securitised assets as per books of the SPVs sponsored by NBFC's	21,886.33	14,758.46
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	–	–

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

S. No.	Description		2015-16	2014-15
		- Others	-	-
	(b)	On-balance sheet exposures		
		- First loss (cash collateral term deposits with banks (refer Note No.15)	7,428.13	4,300.95
		- Others	-	-
4	Amount of exposures to securitisation transactions other than MRR			
	(a)	Off-balance sheet exposures		
	i)	Exposure to own securitizations		
		- First loss	-	-
		- loss	-	-
	ii)	Exposure to third party securitizations		
		- First loss	-	-
		- Others	-	-
	(b)	On-balance sheet exposures		
	i)	Exposure to own securitizations		
		- First loss	-	-
		- Others	-	-
	ii)	Exposure to third party securitizations		
		- First loss	-	-
		- Others	-	-

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

(Rs. In Lakhs)

S. No.	Description	2015-16		2014-15	
		Non-Current	Current	Non-Current	Current
1	Excess Interest Spread receivable	4,132.37	5,803.41	963.44	1,500.64
2	Unrealised gain on Securitisation Transactions	4,132.37	5,803.41	963.44	1,500.64



**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**
**c. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction**

(Rs. In Lakhs)

Description	2015-16	2014-15
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	2015-16	2014-15
No. of Accounts	1,28,237	3,690
Aggregate value (net of Provisions) of accounts sold	37,691.02	5,913.45
Aggregate Consideration	37,691.02	5,913.45
Additional Consideration realised in respect of accounts transferred in earlier years	–	–
Aggregate Gain/Loss over net book value	–	–

**19.3. Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.0029/03.10.001/2014-15 dated April 10 2015**
**a. Movement of Non- Performing Assets (NPA's)**

(Rs. In Lakhs)

Description		2015-16	2014-15
(i)	Net NPA to Net Advances (%)	0.55%	0.40%
(ii)	<b>Movement of NPAs (Gross)*</b>		
a)	Opening Balance	3,754.41	2,892.15
b)	Additions during the year	1,862.95	1,478.61
c)	Reductions during the year	773.68	616.35
d)	Closing Balance	4,843.68	3,754.41
(iii)	<b>Movement of NPAs (Net)*</b>		
a)	Opening Balance	1011.12	198.47
b)	Additions during the year	1,589.19	1,285.72
c)	Reductions during the year	578.76	473.07
d)	Closing Balance	2,021.55	1,011.12

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

Description		2015-16	2014-15
(iv)	<b>Movement of provisions for NPA's(excluding provision on standard assets)*</b>		
a)	Opening Balance	2,743.29	2,693.68
b)	Provisions made during the year	273.76	192.89
c)	Reductions during the year	194.92	143.28
d)	Closing Balance	2,822.13	2,743.29

\*The above movement excludes written off during the year and provision includes provision on assets taken over from erst while TVS Finance and Services Limited (converted to Chennai Business Consulting Services Limited) vide BTA dated 21/04/2010

**b. Movement of Contingent Standard Asset Provision**

Description		2015-16	2014-15
(i)	Movement of Contingent Provision against standard assets		
a)	Opening Balance	954.45	648.43
b)	Additions during the year	383.98	306.02
c)	Reductions during the year	-	-
d)	Closing Balance	1,338.43	954.45

**c. General Provisions**

Description		2015-16	2014-15
(i)	Movement of General Provisions		
a)	Opening Balance	1,506.32	826.66
b)	Additions during the year	1,210.95	679.66
c)	Reductions during the year	-	-
d)	Closing Balance	2,717.27	1,506.32

**d. Provisions and Contingencies**

**Break up of 'Provisions and Contingencies' shown under the Head Expenditure in Profit and Loss Account**

Description	2015-16	2014-15
Provision for Depreciation on Investments	-	-
Provision towards NPA	80.87	69.06
Provision made towards Income Tax	3,586.10	2,027.33
Other Provision and Contingencies - Provision as per Company Norms	1,210.95	679.66
Provision for Standard Assets	383.98	306.02
<b>Total</b>	<b>5,261.90</b>	<b>3,082.07</b>

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

**19.4. Concentration of Advances, Exposures &NPA's**
**a) Concentration of Advances**

Description	2015-16	2014-15
Total Advances to Twenty Largest Borrowers	2,616.73	2,573.57
Percentage of advances to twenty largest borrowers to Total Advances	0.73%	1.00%

**b) Concentration of Exposures**

Description	2015-16	2014-15
Total Advances to Twenty Largest Borrowers/Customers	2,616.73	2,573.57
Percentage of advances to twenty largest borrowers to Total Advances	0.73%	1.00%

**c) Concentration of NPA's**

Description	2015-16	2014-15
Total Exposure to Top Four NPA Accounts	72.44	74.19

**d) Sector-wise distribution of NPA's**

S. No.	Sector	Percentage of NPA's to Total Advances in that Sector	
		2015-16	2014-15
1	Agriculture and Allied Activities	0.93%	0.13%
2	MSME	-	-
3	Corporate Borrowers	1.75%	1.13%
4	Services	-	-
5	Unsecured Personal Loans	-	-
6	Auto Loans (includes assets taken over from Chennai Business Consulting Services Limited)	1.49%	1.81%
7	Other Personal Loans	-	-
8	Others	-	-

**19.5. Customer Complaints**

Description	2015-16	2014-15
No of Complaints pending at the beginning of the year	19	3
No of Complaints received during the year	819	377
No of Complaints redressed during the year	829	361
No of Complaints Pending at the end of the year	9	19

Note: The above figures are based on complaints received from customer for identified service deficiency. As on 17th June 2016, except for two cases, other complaints have been resolved.

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

**19.6. Details of non- performing financial assets purchased/sold**

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

**19.7. Registration under Other Regulators**

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

**19.8. Penalties imposed by RBI and Other Regulators**

No penalties have been imposed by RBI and other regulators during the FY 2015-16 and FY 2014-15.

**19.9. Details of Financing of Parent Company Products.**

Nil

**19.10. Ratings assigned by Credit Rating Agencies**

Description	2015-16	2014-15
Commercial paper	CRISIL-A1+	CRISIL-A1+
Working Capital Demand Loans	BWR-AA-	BWR-AA-
Cash Credit	BWR-AA-	BWR-AA-
Bank Term Loans	BWR-AA-	BWR-AA-
Non-Convertible Debentures- Long Term	-	CRISIL-A+/Stable
Subordinated Debt	BWR-AA-	BWR-AA-

**19.11. Directors Sitting Fees and Commission**

S. No.	Name of the Director	Nature	2015-16	2014-15
1	Mr. Venu Srinivasan	Sitting Fees	0.50	0.10
		Commission	-	-
2	Mr. T.K.Balaji	Sitting Fees	0.30	0.03
		Commission	-	-
3	Mr. R.Ramakrishnan	Sitting Fees	0.90	0.40
		Commission	9.00	-
4	Mr. Sudarashan Venu	Sitting Fees	0.30	0.05
		Commission	-	-
5	Mr. S.Santhanakrishnan	Sitting Fees	0.70	0.40
		Commission	9.00	-

**21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016**

(Rs. in Lakhs)

S. No.	Name of the Director	Nature	2015-16	2014-15
6	Mr. Sivaram	Sitting Fees	0.10	0.10
		Commission	-	-
7	Mr. K.N.Radhakrishnan	Sitting Fees	0.60	0.18
		Commission	-	-
8	Mr. V.Srinivasa Rangan	Sitting Fees	0.30	0.10
		Commission	9.00	-
9	Ms. Sasikala Varadhachari	Sitting Fees	0.40	-
		Commission	6.00	-
	Total		37.10	1.35

**19.12. 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

**19.13. Advance against Intangible Securities**

Company has not given any loans against intangible securities.

**19.14. Derivatives**
**1. Forward Rate Agreement/Interest Rate Swap**

S. No.	Description	2015-16	2014-15
(i)	The notional principal of swap agreements	10,000.00	-
(ii)	Losses which would be incurred if counterparties failed to fulfill 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	(-) 168.23	-

**2. Exchange Traded Interest Rate (IR) Derivatives**

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, 2016 (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)	-

## 21. Additional Notes forming part of Financial Statements for year ended 31<sup>st</sup> March 2016

### 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, which are not considered as derivatives.

### 19.15. Details of Restructuring

(Disclosure pursuant to RBI notification DNBS.CO.PD.No.367/03.10.01/2013-14 dated 23 Jan. 2014)

No assets have been restructured during the year.

### 19.16. Overseas assets (for those with JV and Subsidiaries abroad)

There are no overseas assets owned by the Company.

### 19.17. Draw down from Reserves

No draw down from reserve existed for the year.

### 19.18. Off balance sheet SPV sponsored

There are no SPVs which are required to be consolidated.

### 19.19. Summary of total borrowings, receivables and provision

#### Total Borrowings

(Rs. in Lakhs)

Term-wise breakup	2015-16	2014-15
Long Term borrowings	1,13,517.50	72,063.63
Short Term borrowings	1,17,994.12	1,17,933.29
Current maturities of long term borrowings	86,738.95	45,070.94
<b>Total borrowings</b>	<b>3,18,250.57</b>	<b>2,35,067.86</b>
<b>Category-wise breakup</b>		
<b>Secured</b>		
Term loans from bank	1,73,626.95	1,00,086.32
Working Capital Demand Loan	88,994.12	1,08,433.29
<b>Unsecured</b>		
Term loans from bank	4,000.00	2,000.00
Term loans from Other Parties	5,829.50	6,248.25
Commercial papers	20,000.00	2,500.00
Subordinated debts	25,800.00	15,800.00
	<b>3,18,250.57</b>	<b>2,35,067.86</b>













