

Board of Directors

B.D.Narang

Director

M. Yugandhar

Director

Sanjeev Sehwat

Director

V. Mahesh

Director

Amit Saxena

CEO & Wholetime Director

Chief Financial Officer

Abhishek Baxi

Company Secretary

Meenal Talesara

Joint Statutory Auditors**B S R & Associates, LLP**

Chartered Accountants

Reliance Humsafar, IV Floor

Road No.11, Banjara Hills

Hyderabad - 500 034, India

Lalith Prasad and Co.

Chartered Accountant

402, Golden Green Apts.

6-3-542/1, Erram Manzil Colony

Punjagutta, Hyderabad - 500 082

Bankers

Andhra Bank

Axis Bank Limited

Bank of Baroda

Bank of India

Bank of Maharashtra

Canara Bank

Central Bank of India

Dena Bank

HDFC Bank Limited

IDBI Bank Limited

Indian Overseas Bank

IndusInd Bank Limited

Karur Vysya Bank Limited

Kotak Mahindra Bank Limited

Oriental Bank of Commerce

Ratnakar Bank

State Bank of Hyderabad

State Bank of India

State Bank of Maritius

State Bank of Patiala

The Jammu & Kashmir Bank Limited

The Lakshmi Vilas Bank Limited

Union Bank of India

Vijaya Bank

Registered Office:

Building No.7, Office No.762

6th Floor, Solitaire Park

Andheri (East), Mumbai - 400 093

Maharashtra

DIRECTORS' REPORT

To the members of

Karvy Financial Services Limited

Your Directors have pleasure in presenting the 14th Annual Report and the audited accounts for the financial year ended March 31, 2015.

1. FINANCIAL RESULTS

(Amount in Rs.Lakh)

Particulars	2014-2015	2013 – 2014
Gross Income	35,797.88	29,401.86
Operating expenses	1,995.10	1,706.60
Provisions and contingencies	117.88	29.82
Profit Before Tax	5,880.45	5,517.65
Provision for Tax	2,020.00	1,883.01
Net Profit After Tax	3,860.45	3,634.64
Earnings per Share (EPS):		
Basic	5	4.16
Diluted	5	4.16

2. REVIEW OF OPERATIONS

Your Company has been constantly focused on improving its revenue and maintaining a sustainable growth. This is evident from the financial performance of the Company during the year under review. Your directors are pleased to inform you that, your company was able to counter this slowdown and manage the product mix strategically which helped the Company to grow at a healthy level during the year under review. Your Company registered a growth in revenues of 21.75% resulting in an increase of 6.21% in the profit after tax. Your directors are pleased to report that, for the year under review, the company's income stood at Rs. 35,797.87 lakhs, with a profit after tax of Rs. 3,860.44 lakhs, as compared to an income of Rs. 29,401.86 lakhs and a profit after tax of Rs. 3,634.64 lakhs in the previous year.

During the year under review, the company continued to add new products while extending its foot prints to new geographical areas. Your Company's product range continues to be well diversified, and includes secured business loans, securities finance, commodities finance, and gold loans. Your directors are of the opinion that despite challenges ahead, your company would continue to grow well in future.

3. DIVIDEND:

During the year under review, the Board of Directors has declared dividend on equity and preference shares for the Financial Year 2014-15 as under:

i. Interim Dividend:

(a) **On Equity Shares**, an interim dividend at the rate of Rs. 3/- per equity share, declared on 25th March, 2015 amounting to Rs. 1830.00 lakhs, for the financial year ended 31st March, 2015.

(b) **On Compulsorily Convertible Cumulative Preference Shares**: An interim dividend at the rate of 11% on CCCPS declared on 25th March, 2015, aggregating to Rs. 45.83 lakhs.

ii. Dividend on Compulsorily Convertible Cumulative Redeemable Preference Shares pursuant to conversion into equity shares:

During the year, the company has paid dividend of 11% on 100,000,000 CCCPS as declared on 25th March 2015, aggregating to Rs. 1100 lakh, pursuant to the conversion of 100,000,000 CCCPS into 20,000,000 equity shares.

The interim dividend on equity shares and the preference shares may please be treated as final dividend. The total outflow on account of dividend stands at Rs. 2,975.83 lakhs (Equity - Rs. 1830.00 lakhs and 11 % CCCPS – Rs. 1,145.83 lakhs).

4. RESERVES AND SURPLUS:

Your directors propose to transfer Rs. 772.08 lakhs to the Statutory Reserve Fund in accordance with the provisions of Section 45-IC of Reserve Bank of India Act, 1934 and retain Rs. 1,556.31 lakhs in the profit and loss account of the company.

A net amount of Rs. 289.53 lakhs was transferred to the General Reserve during the year under review.

5. OUTLOOK & INITIATIVE:

The general economic conditions across the globe faced multiple challenges during financial year 2014-2015. However, your directors are confident of another good year of performance for your company. For financial year 2015-16, the strategy of your company will be to firmly establish and grow the business lines viz. secured business loans, micro enterprise secured business loan, small commercial vehicle and loan against gold. Your directors see high potential and opportunity in the market place and are confident of taking all the businesses to a higher level. The company plans to raise more capital in tune with the growth plans of the company.

DIRECTORS' REPORT

6. LISTING OF DEBENTURES

Your company has issued Secured Redeemable Non Convertible Debentures (Structured Products) under various series and also 15.60% Unsecured Redeemable Non Convertible Debentures on a private placement basis and the total outstanding amount as on 31st March, 2015, both issuances put together stands at Rs. 6,559.00 lakhs (Secured NCDs -Rs. 3,559.00 lakhs and Unsecured NCDs -Rs.3000.00 lakhs)

The company's debentures are admitted to dealing on the Bombay Stock Exchange Limited (BSE) in the list of securities of F GROUP - DEBT INSTRUMENTS.

7. NETWORTH AND CAPITAL ADEQUACY RATIO

The Company's net worth as on March 31, 2015, stood at Rs. 36,492.41 lakhs. Your Company's Capital to Risk Assets Ratio (CRAR) calculated in line with the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("RBI Directions") stood at 17.15 per cent, well above the regulatory minimum of 15 per cent. Your Company's asset size stands at Rs. 2071.5 crore. The Company has received a certificate from the Joint Statutory Auditors of the Company, BSR & Associates, LLP, Chartered Accountants and Lalith Prasad & Co., Chartered Accountants, pursuant to Non Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2008, confirming compliance of the conditions with respect to Systemically Important Non-Deposit taking Non-Banking Financial Companies.

8. CREDIT RATING

Your Company has obtained credit ratings from ICRA for its long term borrowings, short term borrowings and Non Convertible Debentures, which are as under:

Bank Loan Rating:	[ICRS] A+(SO)
Short Term Rating:	[ICRA] A1+ (SO)
Secured Redeemable Non Convertible Debentures:	[ICRA] A
Secured Redeemable Non Convertible Debentures (Principal Protected):PPMLD	[ICRA] A

REGULATORY UPDATE

i. FIXED DEPOSITS

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC ("NBFC-ND") under Section 45-IA of the RBI Act, 1934. During the year, your company has ensured compliance with the NBFC (Non Deposit Accepting or Holding) Companies Prudential norms (Reserve Bank) Directions, 2007 and Section 58A of the Companies Act, 1956, and the rules framed thereunder.

The Company has neither accepted nor renewed any fixed deposits during the year. There are no unclaimed deposits, unclaimed / unpaid interest, refunds due to the deposit holders or to be deposited to the Investor Education and Protection Fund as on March 31, 2015.

ii. MONITORING OF FRAUDS

The RBI, vide its circular DNBS.PD.CC. No. 256/03.10.042/2011-12, dated March 2, 2012 has extended the monitoring of frauds in deposit-taking NBFCs to include all NBFCs-ND-SI with effect from March 2, 2012.

Your Company has not identified any case of fraud; however the cases of attempted frauds have been duly placed before the Board of Directors and the audit committee for their review in compliance with the said circular.

iii. RBI COMPLIANCES

Your Company has complied with all the applicable regulations prescribed by the Reserve Bank of India from time to time.

9. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

A Management's Discussion and Analysis Report for the year under review, as stipulated under the corporate governance guidelines prescribed by Reserve Bank of India vide its circular no. DNBR (PD) CC.No.002/03.10.001/2014-15 dated 10th November, 2014 and amendments thereof, is given as **ANNEXURE – I** to this report.

10. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS

The company issued 36,25,000 equity shares at a issue price of Rs. 69/- per share on a Rights basis to the existing shareholders of the company, aggregating to Rs. 250,125,000/- on 19th May, 2015.

There are no material changes and commitments for the company to report, other than the above, that can be considered to affect the financial position of the company after 31st March, 2015 and upto the date of signing of this Report.

11. CHANGE IN THE NATURE OF BUSINESS

There are no changes in the nature of the company's business during the year under review. Your company continues to offer services viz. secured business loans, micro enterprise secured business loan, small commercial vehicle loans and loan against gold.

12. BOARD MEETINGS

The Board of Directors of the company met 5 times during financial year under review. The meetings were held on 13th May, 2014, 27th August, 2014, 15th November, 2014, 29th December, 2014 and 25th March 2015.

DIRECTORS' REPORT

13. DIRECTORS AND KEY MANAGERIAL PERSONNEL:

Mr. M. Yugandhar, Director, retires by rotation during the year under review, and being eligible, has offered himself for reappointment at the ensuing Annual General Meeting of the Company. In view of the same, your Directors recommend his re-appointment as a Director. Further, during the year under review, Mr. M. S. Ramakrishna, Director, has resigned w.e.f. 16th September, 2014. Mr. Sanjeev Sehrawat resigned from the Board w.e.f. 27th May, 2015.

The term of Mr. Amit Saxena as the Whole-time Director expired on 31st March, 2015. The Nomination and Remuneration committee and the Board have approved his reappointment w.e.f. 1st April, 2015 at their meeting held on 25th March 2015. In view of the same, your Directors recommend to reappoint him as a Whole-time Director for a further period of 3 years.

Ms. Jyothi Prasad, is appointed as an independent woman director on the Board of the company w.e.f. 30th June, 2015. Her appointment together with the appointment of Mr. B. D. Narang, as independent directors is placed for approval of the members at the ensuing annual general meeting of the company. The company has received declarations of independence pursuant to the provisions of section 149(6) of the Companies Act, 2013 and the rules issued there under.

In accordance with the provisions of section 203 of Companies Act, 2013 and the rules issued thereunder, Mr. Amit Saxena, Whole-time Director & CEO, Mr. Abhishek Baxi, Chief Financial Officer and Ms. Meenal Talesara, Company Secretary, were appointed as Key Managerial Personnel during the year under review.

14. AUDIT COMMITTEE

The audit committee of the company was reconstituted on 30th June, 2015. Presently, it comprises of 3 directors viz, Mr. M. Yugandhar, Mr. B. D. Narang and Ms. Jyothi Prasad. During the financial year, the committee has met two times viz., 13th May, 2014 and 29th December, 2014.

The Company has established a vigil mechanism for the Directors and employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. The audit committee of the Board oversees the functioning of the policy.

15. POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION:

The company has in place a nomination and remuneration committee, which has been reconstituted by the Board on 30th June, 2015. Presently, it has Mr. B.D. Narang, Ms. Jyothi Prasad and Mr. V. Mahesh as its members. The company has a put in place a policy on the directors' appointment and remuneration in accordance with the matters provided under section 178(3) of the Companies Act, 2013.

The broad terms of reference of the nomination and remuneration committee are as given below:

- Periodically oversee an evaluation of the Board, and recommend desirable changes in Board size, composition, Committees structure and processes, and other aspects of the Board's functioning;
- Recommend new Board members in light of resignation of current members or a planned expansion of the Board;
- Review stockholder proposals relating to Board's composition and recommend an appropriate course of action;
- Review key corporate governance processes not specifically assigned to other committees, and recommend changes needed to ensure that the company is at best practice;
- formulate criteria for determining qualifications, positive attributes and independence of director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
- Review and recommend the compensation and variable pay for Executive Directors to the Board;
- Review the Company's ESOP Schemes and recommend changes as necessary; oversee administration of the ESOP Schemes including Grant Options to eligible employees, in consultation with management; and
- Perform other activities as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

16. DIRECTOR'S RESPONSIBILITY STATEMENT

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, 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 are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the 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 annual accounts on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

17. EXTRACT OF ANNUAL RETURN

As provided under section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in **MGT 9** as a part of this Annual Report (**ANNEXURE II**).

DIRECTORS' REPORT

18. STATUTORY AUDITORS

Lalith Prasad and Co., Chartered Accountants, having registration no: 008089S, appointed as Statutory Auditors, of the Company, at the previous annual general meeting held on 13th May, 2014, for a period of 3 years, to audit the books of accounts of the company from FY 2014 – 15 till FY 2016 - 17 and that, they shall hold office till the conclusion of the annual general meeting of the company to be held for FY 2016 - 17, subject to the ratification by the members of the company at every annual general meeting of the company in accordance with the applicable provisions of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, issued from time to time.

BSR and Associates, LLP, Chartered Accountants, having registration no: 116231W, appointed as Statutory Auditors, of the Company, at the previous annual general meeting held on 13th May, 2014, for a period of 5 years, to audit the books of accounts of the company from FY 2014 – 15 till FY 2018 - 19 and that, they shall hold office till the conclusion of the annual general meeting of the company to be held for FY 2016 - 17, subject to the ratification by the members of the company at every annual general meeting of the company in accordance with the applicable provisions of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, issued from time to time.

According, the appointment of M/s Lalith Prasad and Co. and M/s BSR & Associates, LLP, as the joint statutory auditors of the Company, is placed for ratification of the members at the ensuing Annual General Meeting (AGM).

19. STATUTORY AUDITORS' REPORT AND SECRETARIAL AUDITORS' REPORT

- i. **Statutory Auditors' Report:** The statutory auditors' report do not contain any qualifications, reservations or adverse remarks.
- ii. **Secretarial Auditor's Report:** The secretarial audit report provides a mention on the requirement for the company to appoint two independent directors; a woman director and reconstitute the Audit committee, Nomination & Remuneration committee and Corporate Social Responsibility committee by 31st March, 2015 in accordance with the provisions of the Companies Act, 2013 and the rules issued thereunder.

Your directors hereby submit that the company has one independent director as on 31st March, 2015, who has furnished mandatory declaration of independence. Further as on the date of this report, the company has appointed a woman director who also qualifies as an independent director and accordingly reconstituted the Audit committee, Nomination & Remuneration committee and Corporate Social Responsibility committee in conformity with the requirements under the Act. Also, the company is seeking the approval of the shareholders for the appointment of both the independent directors in the forthcoming Annual General Meeting.

The report of secretarial auditor is given as **Annexure III** of this report.

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The business operations of your company are not energy intensive. However, sufficient measures have been taken to minimize the energy consumption. There are no foreign exchange earnings for the company during the year. However, there has been foreign exchange outgo, the details whereof are as under:

(All Amounts in Rs.)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Business promotion	942,451	1,120,199
Professional fees	491,240	69,656
Employee training cost	175,882	-
Total	1,609,573	1,189,855

21. SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS

There are no significant and material orders passed by the regulators or Courts or Tribunals against the company which can be constructed as impacting the going concern status and the company's operations in future.

22. DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

- a) Your Directors report that, your Company has maintained adequate internal controls commensurate with its size and its nature of the operation. There are suitable monitoring procedures in place to provide reasonable assurance for accuracy and timely reporting of the financial information and compliance with the statutory requirements. There are proper policies, guidelines and delegation of powers issued for the compliances across the Company.
- b) For the purpose of ensuring accuracy in the preparation of the financials, your company has implemented various checks and balances and in order to ensure robust internal control systems, regular internal audits are conducted by the internal auditor of the company viz central internal audit division of Karvy Group. Your company is continuously putting its efforts to align the processes and controls with the best practices in the industry.

23. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, there are no transactions relating to Loans/Guarantees/Investments to report as per the provisions of section 186 (4) of the Companies Act, 2013.

DIRECTORS' REPORT

24. RISK MANAGEMENT POLICY

Your company has in place a risk management policy for the various services it offers and has duly identified elements of risk that, may threaten the existence of the company. The audit committee of the company oversees the areas of financials risks and controls and also reviews the major risks identified by the businesses and functions and ensure that, the same are systematically addressed on a continuing basis.

25. CORPORATE SOCIAL RESPONSIBILITY POLICY

Your company has constituted a Corporate Social Responsibility committee (CSR) on 29th December, 2014. Mr. M. Yugandhar, Mr. B.D. Narang and Mr. Amit Saxena form part of the CSR committee. The CSR committee has approved the CSR policy of the company, which is aimed at demonstrating care for the community through its focus on healthcare, education of underprivileged children, eradicating hunger poverty, malnutrition, Development of art and culture, promotion of sports. In line with the policy approved by the CSR committee and adopted by the Board, your company would support and undertake activities and projects within the broad framework of Schedule VII of the Companies Act, 2013.

REASON FOR NOT SPENDING:

While the above mentioned areas are finalized as the focus areas for CSR activity, your company is in the process of identifying the right projects and programs under the new initiative. In view of the same, the amount of Rs. 65.13 lakhs, to be spent on CSR activities during FY 2014-15, could not be spent. Your company is committed to work towards the cause of CSR and shall endeavor to associate itself with the projects under the focus areas identified in FY 2015-16.

26. RELATED PARTY TRANSACTIONS

During the year, the Company had not entered into any contracts, arrangements, and transactions with related parties which could be considered as material in accordance with the policy of the Company on materiality of related party transactions and hence, there are no related party transactions to report as per the Section 188(1) of the Companies Act, 2013. All the related party transactions are placed before the audit committee as also the Board for approval. Prior omnibus approval is obtained for all transactions that are repetitive in nature and can be foreseen.

27. PAYMENT OF REMUNERATION TO DIRECTORS

The remuneration details of Mr. Amit Saxena, Whole-time Director and CEO as required to be mentioned pursuant to the provisions of part II of Schedule V of the Companies Act, 2013 and the rules framed thereunder, are mentioned below:

Director	Salary p.a. (Rs.)	Perquisites	Stock Options
Mr. Amit Saxena	26,106,479	I. House rent allowance. II. Medical reimbursement III. Ex Gratia IV. Leave encashment. V. Leave travel allowance. VI. Contribution to employees provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax, Act, 1961. VII. Gratuity shall be calculated as per the rules of the company. VIII. Any other allowance, benefits and perquisites as the Board/ Remuneration Committee may from time to time decide.	Presently, there are no stock options.

28. MANAGERIAL REMUNERATION

S.No.	Requirements	Disclosure
I	The ratio of the remuneration of each director to the median remuneration of the employees for the financial year.	Mr. Amit Saxena, Whole-time Director and CEO - 90x
II	The percentage increase in remuneration of each director, CFO, CEO, CS in the financial year.	i. Mr. Amit Saxena, Whole-time Director and CEO - 6.7% ii. Mr. Abhishek Baxi, Chief Financial Officer - NIL iii. Ms. Meenal Talesara, Company Secretary - NIL
III	The percentage increase in the median remuneration of employees in the financial year.	12.3%
IV	The number of permanent employees on the rolls of the Company	There were 613 permanent employees as on March 31, 2015.

DIRECTORS' REPORT

28. MANAGERIAL REMUNERATION (Continued)

S.No.	Requirements	Disclosure								
V	The explanation on the relationship between average increase in remuneration and performance of the Company.	<p>Factors considered while recommending increase in the fixed compensation:</p> <p>(a) Financial performance of the company</p> <p>(b) Comparison with peer companies</p> <p>(c) Industry Benchmarking and consideration towards cost of living adjustment/inflation</p> <p>(d) Regulatory guidelines as applicable</p> <p>(e) All forms of compensation (fixed & variable) to be consistent with risk alignment</p> <p>The individual increments varied from 5% to 10% based on individual performance. The calculation of average increase in employee remuneration is done based on comparable employees. For this, we have excluded employees who were not eligible for any increment.</p>								
VI	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company.	In FY 2014-15, KMPs was paid approx 6.95% of the net profit for the year.								
VII	In case of unlisted companies, the variations in the net worth of the Company as at the close of the current financial year and previous financial year.	The net worth of the Company increased from Rs. 363 crores to Rs. 365 crores as on 31 March 2015.								
VIII	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	<p>The average annual increase was around 8.28% after accounting for promotions and other event based compensation revisions.</p> <p>Increase in the managerial remuneration for the year was 6.75%.</p>								
IX	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	<p>The comparison of remuneration of each of the Key Managerial personnel against the performance of the Company is as under :</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>% of Net profit for FY 2014-15</th> </tr> </thead> <tbody> <tr> <td>MD & CEO</td> <td>4.44%</td> </tr> <tr> <td>CFO</td> <td>0.61%</td> </tr> <tr> <td>CS</td> <td>0.11%</td> </tr> </tbody> </table>	Particulars	% of Net profit for FY 2014-15	MD & CEO	4.44%	CFO	0.61%	CS	0.11%
Particulars	% of Net profit for FY 2014-15									
MD & CEO	4.44%									
CFO	0.61%									
CS	0.11%									
X	The key parameters for any variable component of remuneration availed by the directors	<p>The broad factors and guidelines considered for the Performance Bonus are:</p> <p>(a) Annual Performance Review based on the Key Result Areas (KRAs) / measurable Key Performance Indicators (KPIs).</p> <p>(b) Financial outcomes and profitability of the company.</p> <p>(c) Risk factors which shall be symmetrical with risk outcomes as well as sensitive to the time horizon of risk.</p> <p>(d) Variable pay shall not exceed 30% of fixed pay in a year.</p> <p>(g) Regulatory guidelines as applicable. (RBI/Shareholders approval)</p>								
XI	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year.	Not Applicable								
XII	Affirmation that the remuneration is as per the remuneration policy of the Company.	The Company affirms remuneration is as per the remuneration policy of the Company.								

DIRECTORS' REPORT

29. BOARD EVALUATION

The company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which include criteria for performance evaluation of the non-executive directors and executive directors, details of which are hereunder:

1. All the Directors will undertake an assessment of
 - (i) the performance of the Board,
 - (ii) the performance of committees of the Board,
 - (iii) self-assessment of own performance, and submit the assessment sheets to Nomination and Remuneration Committee (NRC).
2. NRC after reviewing the above assessment sheets of all directors would submit a report to the Board.
3. The Independent Directors to evaluate the performance of Non-Independent Directors including the Chairman and the Board as a whole and submit a report to the Board.
4. The Board to evaluate the performance of the Independent Directors excluding the director being evaluated.
5. The Board, on recommendation of NRC, to appoint /re-appoint/continuation of the Directors on the Board.
6. The process of performance evaluation shall be reported in the Directors report as required under section 134 of the Companies Act, 2013

30. DETAILS OF EMPLOYEES REMUNERATION

The details of employees drawing remuneration in excess of limits specified under Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 during the year are given as **ANNEXURE – IV** to this report.

31. ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

ANNEXURE INDEX

Sl. No	Particulars
I	Management's Discussion and Analysis Report
II	Annual Return Extracts in MGT 9
III	Secretarial Audit Report
IV	Details of Employees Remuneration

For **KARVY FINANCIAL SERVICES LIMITED**

Sd/-

M. Yugandhar

Director

DIN: 00012265

Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Sd/-

Amit Saxena

CEO & Whole-time Director

DIN: 05248652

Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Date : 30-06-2015

Place : Hyderabad

MANAGEMENT DISCUSSION AND ANALYSIS
Macro Economic Overview

The year 2014 - 15 began with several challenges on the macroeconomic front, including rising inflation, dwindling industrial output and a falling rupee. The Reserve Bank of India (RBI) intervened in July and August to stem the rupee's slide by increasing the marginal standing facility rate and the bank rate by 200 bps each to 10.25%. The result was that frequent issuers such as Non Banking Financial Companies (NBFCs) pulled back from the bond market. In first quarter of 2015, the RBI has cut the repo rate by 50 bps to 7.50% in two tranches as there are signs that inflation is moderating.

Overall GDP growth in the fiscal settled at around 7.4%, mostly driven by the industry and services sector. Wholesale Price Index has registered moderation at (2.33%), while Consumer Price Index has moderated to 5.17% up to March 2015. Structural shifts in inflation are due to lower oil prices, deceleration in agriculture prices & wages and improved household inflation expectations. The trading environment is becoming more challenging as the buoyancy of Indian exports has declined with respect to world growth. Current account deficit (CAD) is expected to decline below 1% of GDP for the FY 2014-15. Foreign exchange reserves increased to \$ 341.14 billion at week ended March 27, 2015. Fiscal deficit is expected to be contained at 4.1% as per the budget estimates. The vision of the new government is pragmatic and of inclusive growth which is apparent from more devolution of tax collections to the states, postponing the achievement of 3% fiscal target to FY 2018 thereby making more space for public investment in the country. Thrust to infrastructure, measures to revive the investment cycle, boost to savings, 'Make in India' initiative, ease of doing business and boosting entrepreneurship are major focus areas of the government.

Industry Developments

The NBFCs saw moderation in rate of asset growth, rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalisation levels and conservative liquidity management, continues to provide comfort to the credit profile of well run NBFCs inspite of the impact on profitability. The revised regulatory framework released in November, 2014 by the RBI focuses on strengthening the structural profile of the NBFC sector. These changes have to be implemented in a phased manner by March 31, 2018. Some of the key changes are:

- I. Classification of loan NPAs for NBFCs has also been brought in line with banks. NPA recognition will change in a phased manner to 90 days overdue from the current 180 days overdue for loans.
- II. Increase in Tier I CAR (core CAR) will increase in a phased manner to 10% for NBFC - D and NBFC - ND - SI, thereby increasing loan absorbing capacity and long term capital requirement.
- III. Stringent Corporate governance and disclosure norms for accountability, transparency and trust in NBFC sector
- IV. Standard asset provisioning will stand increased from 0.25% to 0.40%

NBFCs, which historically have been very reliant on bank borrowings, have now started to diversify their resource raising profile to reduce cost of funds. In the current environment financing through bonds, debentures and commercial papers (CPs) are much cheaper as compared to bank borrowings.

The highlights of the reforms introduced by Government of India in their budget for the coming fiscal for the financial sector are as following:

- i. Inclusion of NBFCs, having an asset size of Rs 500 crore and above, under the SARFAESI Act and new bankruptcy code will provide a boost to recovery efforts and help rein in asset quality problems over the long run.
- ii. Setting up of autonomous bank board bureau marks the initial move towards formalising a holding company structure for public sector banks. This will improve governance, optimise capital contribution by government, and provide greater functional autonomy.
- iii. The new Micro Units Development Refinance Agency (MUDRA) Bank for refinancing of microfinance institutions will support micro credit.

Financial Performance and Business Overview

The following table presents the financial results of the Company's operations for the year ended March 31, 2015:

(Rs. in lakhs)

Particulars	FY 2014-2015	FY 2013-14
Gross Income	35,797.88	29,401.86
Operating expenses	1,995.10	1,706.60
Provisions and contingencies	117.88	29.82
Profit Before Tax	5,880.45	5,517.65
Provision for Tax	2,020.00	1,883.01
Net Profit After Tax	3,860.45	3,634.64
Earnings per Share (EPS):		
Basic	5	4.16
Diluted	5	4.16

Your Company has been constantly focused on improving its revenue and maintaining a sustainable growth. This is evident from the financial performance of the Company during the year under review. Your directors are pleased to inform you that, your company was able to counter this slowdown and manage the product mix strategically which helped the Company to grow at a healthy level during the year under review. Your Company registered a growth in revenues of 21.75% resulting in an increase of 6.21% in the profit after tax. Your directors are pleased to report that, for the year under review, the company's income stood at Rs. 35,797.87lakhs, with a profit after tax of Rs. 3,860.44 lakhs, as compared to an income of Rs. 29,401.86 lakhs and a profit after tax of Rs. 3,634.64 lakhs in the previous year.

During the year under review, the company continued to focus on the Secured Business Loans. Your Company's product range continues to be well diversified, and includes secured business loans, securities finance, commodities finance, gold loans and small commercial vehicle. Your directors are of the opinion that despite challenges ahead, your company would continue to grow well in future. Further, during the year, the Company has completed a securitization transaction and also raised Tier II Capital.

Product-wise performance

The Company offers a range of loan products that fulfills the financial needs of its target segments. During the year the overall portfolio has increased by 24% to Rs 207,153 lakh as on March 31, 2015 from 166,456 lakh as on March 31, 2014.

The overall interest income has increased by 22% to Rs 34,160 lakh for year ended March 31, 2015 from Rs 28,002 lakh for the year ended March 31, 2014.

A summary of the product wise portfolio and interest income for the year ended March 31, 2015 is as under:

(Rs. in Lakhs)

Product	Portfolio	Interest income
Loan against Gold	27,257	5,924
Loan against Property	162,207	23,926
Commercial Vehicle Loan	3,187	320
Loan against Securities	14,502	3,991
Total	207,153	34,160

Shareholders' Funds

As of March 31, 2015, shareholders' funds of the Company amounted to Rs. 365 crores as compared to Rs. 363 crores as on March 31, 2014.

Outlook

The markets will continue to grow and mature leading to differentiation of products and services. Each financial intermediary will have to find its niche in order to add value to consumers. The Company is cautiously optimistic in its outlook for the year 2015-16.

Opportunities

The Monetary Policy Framework Agreement between the Government of India and Reserve Bank of India is a vital step to keep inflation below 6%. This is also supported by the steep decline in the international crude oil prices, which controlled food inflation and increased consumption of the basic commodities in rural areas. Government has announced a number of policy measures to achieve the projected GDP growth in 2015-16 like approval of large infrastructure projects, addressing challenges of mining and power sectors, increasing foreign investment limits in Insurance, Railways, Defence manufacturing and Aerospace. Growth in agricultural sector output will drive demand from rural areas.

In view of the aforesaid initiatives of the Government, NBFCs can also look for growth in asset financing and collateral backed lending activities.

The Reserve Bank of India's enhancement of the credit limits through securitisation transactions for both banks and NBFCs, shall provide better opportunities to NBFC's to meet their ongoing capital/funding requirements.

Threats

Growth of the Company's asset book, quality of assets and ability to raise funds depend significantly on the economy. Unfavorable events in the Indian economy can affect consumer sentiment and in turn impact consumer decision to purchase financial products. Competition from a broad range of financial services providers, unstable political environment and changes in Government policy / regulatory framework could impact the Company's operations.

Internal Control System

The Company has in place adequate systems of internal control which are commensurate with its size and the nature of operations.

The Company maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls and compliance with applicable laws and regulations.

The Company has in place adequate systems to ensure that assets are safeguarded against loss due to unauthorised use or disposition and that transactions are authorised, recorded and reported.

The Company has an Internal Audit Department, which reports to the Audit Committee of the Board of Directors of the Company. The department conducts comprehensive audits of functional areas and operations of the Company to examine the adequacy of and compliance with policies, plans and statutory requirements.

Risks & Concerns

The Company constantly invests in people, processes and technology as the Company acknowledges that these are vital elements for mitigating various risks posed by the environment.

Competition:

The financial services space in India is highly competitive. However, as the segments in which the Company is present are large growing and highly under-served, there is scope for significant business growth despite the competition. Further, being well capitalised with robust internal controls and risk management systems in place give us an advantage over peers in the sector.

Changes in policies towards NBFC:

There is a growing trend towards more stringent yet structurally beneficial regulation in the NBFC sector. Anticipating such regulations and implementing good governance norms before they are mandated has been a constant practice at the Company. Accordingly, the Company stands to benefit by policy notifications.

Operational Risk Management:

Towards minimising operational risks, the Company has created 'maker-checker' processes for critical controls. Further, it has laid down detailed process manuals for various operational activities.

The Company believes its efforts to continuously strengthen its risk framework and portfolio quality, helped us build a stable & healthy portfolio.

Human Capital

The key pillars of success at Karvy Finance from a Human Capital perspective are:

- Ensuring we have the right people in every role
- Driving scalable processes to enhance ROI
- Creating a culture of learning and Execution

To reinforce a performance culture in the Company, the Company has further strengthened the performance management program which has opened up the possibility to add further dimensions to assess the capabilities of our people and therefore identify talent within the Company. The Company recognizes and awards excellent performers with "Performance Awards & Certificates".

Our employee productivity continues to be one of the best in the industry.

On the people side, we have imparted training for knowledge on product, process and systems, skills and behaviors that have a direct impact on business performance. Our focus continues to be on-the-job training and we encourage our supervisors to provide the time required to coach their people. To develop the desired culture of the Company, we held Cultural Capability workshops covering all employees of the Company.

The steps we have taken on the people front have provided them opportunities for growth, differentiated rewards and engagement. On the other hand, our improving brand in the market has enabled our talent acquisition to continue smoothly.

We have also ensured that all policies and processes have been put in place as warranted under the changes to the Companies Act, 2013.

As on March 31, 2015, we had 613 employees.

For **KARVY FINANCIAL SERVICES LIMITED**

Sd/-

M. Yugandhar
Director

DIN: 00012265

Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Sd/-

Amit Saxena
CEO & Whole-time Director

DIN: 05248652

Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Date : 30-06-2015

Place : Hyderabad

DIRECTORS' REPORT

Annexure II

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2015

[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: **U67190MH2001PLC227379**
- ii) Registration Date: **18.10.2001**
- iii) Name of the Company: **KARVY FINANCIAL SERVICES LIMITED**
- iv) Category / Sub-Category of the Company: **Public Limited Company**
- v) Address of the registered office and contact details: **Building No. 7, Office No. 762, 6th Floor, Solitaire Park, Andheri (East), Mumbai – 400093, Maharashtra.**
- vi) Whether listed company Yes / No: **No, as equity shares of the company are not listed on any stock exchange**
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any: -

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	Non- Banking Financial Company (loan company)	64990	100%

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

Sl. No.	Name and address of the company	CIN/GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1	Karvy Stock Broking Limited 46, Avenue 4, Street No. 1, Banjara Hills, Road No. 10, Hyderabad -500 034	U67120TG1995PLC019877	Holding Company	100%	2 (87(ii))

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(A1) Indian									
a) Individual/ HUF	0	0	0	0.00%	0	0	0	0.00	0.00
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	0	4,10,00,000	4,10,00,000	100	6,09,99,994	6	6,10,00,000	100	48.78
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	0	4,10,00,000	4,10,00,000	100	6,09,99,994	6	6,10,00,000	100	48.78
(1):- (A2) Foreign	-	-	-	-	-	-	-	-	-
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total(A) (2):-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	0	4,10,00,000	4,10,00,000	100	6,09,99,994	6	6,10,00,000	100	48.78%
B. Public Shareholding Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i) Category-wise Share Holding (Continued)

Category of Shareholders	No. of Shares held at the beginning of th year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions				-					
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of Rs 1 Lakh	-	-	-	-	-	-	-	-	-
c) Others(specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B)=(B)(1)+(B)(2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs&ADRs	-	-	-	-	-	-	-	-	-
Grand Total(A+B+C)	0	4,10,00,000	4,10,00,000	100	6,09,99,994	6	6,10,00,000	100%	48.78%

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	
1	Karvy Stock Broking Limited (KSBL)	2,69,99,994	65.85	-	2,69,99,994	44.27	-	(21.58)
2	C. Parthasarathy representing KSBL	1	0.00	-	1	0.00	-	0.00
3	M. Yugandhar representing KSBL	1	0.00	-	1	0.00	-	0.00
4	M.S. Ramakrishna representing KSBL	1	0.00	-	1	0.00	-	0.00
5	M. Uma Maheswara Reddy representing KSBL	1	0.00	-	1	0.00	-	0.00
6	J. Ramaswamy representing KSBL	1	0.00	-	1	0.00	-	0.00
7	V. Mahesh representing KSBL	1	0.00	-	1	0.00	-	0.00
8	Karvy Comtrade Limited	1,10,00,000	26.83	-	1,10,00,000	18.03	-	(8.8)
9	Karvy Holdings Limited	30,00,000	7.32	-	80,00,000	13.11	-	5.79
10	Karvy Realty (India) Limited	0	0	-	1,50,00,000	24.59	-	24.59
	Total	4,10,00,000	100	-	6,10,00,000	100	-	-

(iii) Change in Promoters' Shareholding (please specify, if there is no change):
Change in Promoters (Karvy Holdings Limited) shareholding during the Financial Year.

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	30,00,000	7.32%	30,00,000	7.32%
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc): *[% decrease in shareholding was due to conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares in tranches on 31.05.2014 to Karvy Realty (India) Limited]			*30,00,000	6.52%
	*[% decrease in shareholding was due to conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares in tranches on 01.09.2014 to Karvy Realty (India) Limited]			*30,00,000	5.88%
	*[% decrease in shareholding was due to conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares in tranches on 01.12.2014 to Karvy Realty (India) Limited]			*30,00,000	5.36%
	Date of Allotment: 28.02.2015 Reason: Conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares			80,00,000	13.11%
	At the End of the year			80,00,000	13.11%

Change in Promoters (Karvy Realty (India) Limited) shareholding during the Financial Year.

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc): Date of Allotment: 31.05.2014 Reason: Conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares			50,00,000	10.87%
	Date of Allotment: 01.09.2014 Reason: Conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares			1,00,00,000	19.61%
	Date of Allotment: 01.12.2014 Reason: Conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares			1,50,00,000	26.79%
	*[No. fresh allotment made. % decrease in shareholding was due to conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares on 28.02.2015 to Karvy Holdings Ltd.]			1,50,00,000	24.59%
	At the End of the year			1,50,00,000	24.59%

Change in Promoters (Karvy Stock Broking Limited) shareholding during the Financial Year.

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	2,69,99,994	65.85%	2,69,99,994	65.85%
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
	At the End of the year *[% decrease in shareholding was due to conversion of 7,50,00,000 CCCPS into 1,50,00,000 equity shares in tranches on 31.05.2014, 01.09.2014 and 01.12.2014 to Karvy Realty (India) Limited and conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares on 28.02.2015 to Karvy Holdings Ltd.]			*2,69,99,994	44.27%

Change in Promoters (Karvy Comtrade Limited) shareholding during the Financial Year.

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	1,10,00,000	26.83%	1,10,00,000	26.83%
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
	At the End of the year *[% decrease in shareholding was due to conversion of 7,50,00,000 CCCPS into 1,50,00,000 equity shares in tranches on 31.05.2014, 01.09.2014 and 01.12.2014 to Karvy Realty (India) Limited and conversion of 2,50,00,000 CCCPS into 50,00,000 equity shares on 28.02.2015 to Karvy Holdings Ltd.]			*1,10,00,000	18.03%

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

Sl. No.	For each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc):	0	0	0	0
	At the End of the year (or on the date of separation, if separated during the year)	0	0	0	0

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	2	0.00%	2	0.00%
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	-	-	2	0.00%

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	10,413,119,674	3,625,055,711	-	14,038,175,385
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	59,196,601	3,664,468	-	62,861,069
Total (i+ii+iii)	10,472,316,275	3,628,720,179		14,101,036,454
Change in Indebtedness during the financial year				
• Addition	3,804,973,955	598,384,722	-	4,403,358,677
• Reduction	-	-	-	-
Net Change	3,804,973,955	598,384,722	-	4,403,358,677
Indebtedness at the end of the financial year				
i) Principal Amount	14,218,093,629	4,223,440,433	-	18,441,534,062
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	42,752,305	59,196,601	-	101,948,906
Total (i+ii+iii)	14,260,845,934	4,282,637,034	-	18,543,482,968

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 Mr. Amit Saxena Whole time Director & CEO	Total Amount (in Rs.)
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	22,338,119	22,338,119
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission - as % of profit - others, specify...	-	-
5.	Others, please specify	-	-
	- House Rent Allowance	3,039,000	3,039,000
	- Employer's contribution to PF	729,360	729,360
	Total (A)	26,106,479	26,106,479

B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount (in Rs.)
		Mr. B.D. Narang	Mr. Yugandhar Meka	Mr. V. Mahesh	Mr. M.S. Ramakrishna *	Mr. Sanjeev Sehrawat	
	Independent Directors						
	Fee for attending board committee meetings	140,000	-	-	-	-	140,000
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (1)	140,000					140,000
	Other Non-Executive Directors						
	Fee for attending board committee meetings	-	140,000	100,000	60,000	60,000	360,000
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)		140,000	100,000	60,000	60,000	360,000
	Total (B)=(1+2)	140,000	140,000	100,000	60,000	60,000	500,000
	Total Managerial Remuneration						
	Overall Ceiling as per the Act						

* For the period of April 1, 2014 to September 16, 2014

C. Remuneration to Key Managerial Personnel Other Than /Manager/WTD –

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total (in Rs.)
		Mr. Abhishek Baxi Chief Financial Officer (w.e.f. 25 th March, 2015)	Ms. Meenal Talesara Company Secretary	Mr. Sunil Samdani, Chief Financial Officer *	
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	141,338	438,263	4,832,982	5,412,583
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission as % of profit others	-	-	-	-
5.	Others, please specify		-	-	-
	- House Rent Allowance	-	105,950	707,223	813,173
	- Employer's contribution to PF	2439	21,190	169,736	193,365
		143,777	565,403	5,709,941	6,419,121

* For the period of 1st April, 2014 till 10th March, 2015.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There were no penalties/punishment/compounding of offences for the year ended March 31, 2015.

For **KARVY FINANCIAL SERVICES LIMITED**

Sd/-

M. Yugandhar
Director

DIN: 00012265

Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Sd/-

Amit Saxena
CEO & Whole-time Director

DIN: 05248652

Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Date : 30-06-2015

Place : Hyderabad

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Karvy Financial Services Limited
Mumbai

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

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (**Not applicable to the company during the audit period**);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (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 (**Not applicable to the company during the audit period**);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28 October, 2014 (**Not applicable to the company during the audit period**);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not applicable to the company during the audit period**); and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**Not applicable to the company during the audit period**);
- (vi) The Reserve Bank of India Act, 1934 and the directions and circulars issued by Reserve Bank of India thereunder and as applicable to Non-Banking Financial Companies (in so far as submission of various returns/information or other particulars to be filed with Reserve Bank of India).

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India. (**Not applicable as Secretarial Standards were not notified during the audit period**)
- (ii) The Listing Agreement entered into by the Company with BSE Ltd., Mumbai in respect of Non-convertible debentures of the company listed therein;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Directions etc. mentioned above subject to the following:

The composition of Audit Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee as at 31st March 2015 is not in accordance with the requirements under the respective provisions of the Act on account of lack of requisite independent directors. However, the company as on the date of this report has appointed requisite independent directors and reconstituted the aforesaid Board Committees in conformity with the requirements under the Act.

We further report that

The Board of Directors of the company is duly constituted with proper balance of Executive and Non-Executive Directors *except that of Independent Directors; In accordance with the provisions of Section 149 of the Act read with the rules made thereunder, the company is required to have at least 2 Independent Directors and appoint a woman director by 31st March, 2015. However the company has only one independent Director as on 31st March, 2015, who has furnished mandatory declaration of Independence and whose appointment is yet to be approved by the shareholders. The Company as on the date of this report has however appointed a woman director who also qualifies as an independent director and the company is seeking the approval of shareholders for the appointment of both the independent directors in the forthcoming Annual General Meeting.* 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.

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 a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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

We further report that during the audit period the company had:

1. allotted 578 Secured Listed Non-Convertible Debentures (12 series) issued in 10 tranches by way of Private Placement aggregating to Rs.57.8 crores;
2. redeemed 2682 Secured Listed Non-Convertible Debentures (17 Series) aggregating to Rs.33.39 crores; and
3. in accordance with the terms of issue and the offer letter issued, converted 10,00,00,000 Cumulative Compulsorily Convertible Preference Shares of the face value of Rs.10/- each into 2,00,00,000 equity shares of Rs.10/- each.

For **Manish Ghia & Associates**

Company Secretaries

Sd/-

Manish L. Ghia

Partner

M. No. FCS 6252 C.P. No. 3531

Place : Mumbai

Date: 30th June 2015

This report is to be read with our letter of even date which is annexed as Annexure-A and forms an integral part of this report.

To,
The Members,
Karvy Financial Services Limited
Mumbai

Our report of even date is to read along with this letter.

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

For **Manish Ghia & Associates**

Company Secretaries

Sd/-

Manish L. Ghia

Partner

M. No. FCS 6252 C.P. No. 3531

Place : Mumbai

Date: 30th June 2015

DIRECTORS' REPORT

Annexure IV

KARVY FINANCIAL SERVICES LIMITED

Annexure to the Report of Board of Directors for the year ended 31st March, 2015

Statement of Employees pursuant to Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

S.No.	Name	Age	Designation	Remuneration Received (Cost to Company for the FY 2014-15)	Nature of employment (contractual or otherwise)	Qualifications	Experience (No. of years)	Date of commencement of employment	Last employment held	% of equality shares held in the company	Whether relative of any Director or Manager of the company and if so, name of such director or manager
1	Amit Saxena	41	Whole-time Director and CEO	2,61,06,479	Permanent, Resolution for appointment was approved by the Board and the members in their meeting	BE, MBA	18	27-05-2008	Citi Financial Consumer Finance India Ltd.	NIL	NA

For **KARVY FINANCIAL SERVICES LIMITED**

Sd/-

M. Yugandhar
Director

DIN: 00012265
Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Sd/-

Amit Saxena
CEO & Whole-time Director

DIN: 05248652
Address: 46, Avenue 4,
Street No. 1, Road No. 10,
Banjara Hills, Hyderabad
Telangana- 500034

Date : 30-06-2015

Place : Hyderabad

INDEPENDENT AUDITORS' REPORT

To the Members of
Karvy Financial Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Karvy Financial Services Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder, to the extent applicable.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015, and its profit and its cash flows for the year ended on that date.

Other Matter

The financial statements of the Company as at 31 March 2014 and for the year then ended were audited by one of the joint auditor and an another firm of chartered accountants who, vide their report dated 13 May 2014 expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the said Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31 March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and

INDEPENDENT AUDITORS' REPORT (Contd.)

- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations as at 31 March 2015 on its financial position in its financial statements - Refer Note 2.55
 - ii. The Company has long-term contracts other than derivative contracts for which there were no material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **B S R & Associates LLP**

Chartered Accountants

ICAI Firm's Registration Number: 116231W/W-100024

Sd/-

Sriram Mahalingam

Partner

Membership No. 049642

Hyderabad

30 June 2015

for **Lalith Prasad and Co**

Chartered Accountant

Firm's Registration Number: 008089S

Sd/-

S. Lalith Prasad

Partner

Membership No. 023665

Hyderabad

30 June 2015

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

The annexure referred to in our report of even date to the Members of Karvy Financial Services Limited ("the Company") on the financial statements for the year ended 31 March 2015, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year except assets at branches which are verified in a phased manner over a period of two years. In accordance with this programme certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- ii. The Company is a Non Banking Finance Company not accepting or holding public deposit and primarily engaged in asset financing. Accordingly it does not hold any physical inventories in the normal course of the business other than commodities which are held as underlying security in relation to the loans and advances provided as commodity finance. No such commodities are held as at the balance sheet date.
- iii. The Company has granted unsecured loans, to two companies covered in the register maintained under Section 189 of the Act.
 - a. In the case of loan granted to the companies listed in the register maintained under Section 189, the borrower has been regular in repaying the principal amounts as stipulated and in the payment of interest.
 - b. In respect of the aforesaid loans, there is no overdue amount more than Rupees One Lakh.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain services received are for the specialised requirements of the Company and certain items of fixed assets purchased are of special nature for which suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- vi. The Central Government has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 for any of the services rendered by the Company.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been *generally* regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Service tax, Value added tax, wealth tax and other material statutory dues with the appropriate authorities during the year. As explained to us, the Company did not have any dues on account of sales-tax, duty of Customs, duty of Excise and Cess.
 According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service tax, Value added tax and other material statutory dues were in arrears as at 31 March 2015 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, wealth tax and Value added tax which have not been deposited with the appropriate authorities on account of any dispute. As explained to us, the Company does not have any dues on account of sales-tax, duty of customs or duty of excise and cess.
- (c) According to the information and explanations given to us, there are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 1956 (1 of 1956) and the rules made thereunder.
- viii. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- ix. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, financial institutions or any debenture holders.
- x. In our opinion and according to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- xi. In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT (Contd.)

xii. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R & Associates LLP**

Chartered Accountants

ICAI Firm's Registration Number: 116231W/W-100024

Sd/-

Sriram Mahalingam

Partner

Membership No. 049642

Hyderabad

30 June 2015

for **Lalith Prasad and Co**

Chartered Accountant

Firm's Registration Number: 008089S

Sd/-

S. Lalith Prasad

Partner

Membership No. 023665

Hyderabad

30 June 2015

KARVY FINANCIAL SERVICES LIMITED

BALANCE SHEET AS AT 31 MARCH 2015

(All amounts in Indian rupees, except share data and where otherwise stated)

	Note	As At 31 March 2015	As At 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,11,00,00,000	1,91,00,00,000
Reserves and surplus	2.2	2,53,92,41,649	1,72,07,58,197
		<u>3,64,92,41,649</u>	<u>3,63,07,58,197</u>
Non-current liabilities			
Long-term borrowings	2.3	8,76,25,97,606	7,82,86,46,237
Other long term liabilities	2.4	98,28,122	1,10,77,295
Long-term provisions	2.5	4,21,31,076	4,00,03,306
		<u>8,81,45,56,804</u>	<u>7,87,97,26,838</u>
Current liabilities			
Short-term borrowings	2.6	4,93,54,87,284	3,04,42,30,336
Trade payables	2.7	1,76,32,738	4,91,56,674
Other current liabilities	2.8	4,84,03,36,464	3,26,44,44,594
Short-term provisions	2.9	8,60,32,502	2,16,39,604
		<u>9,87,94,88,988</u>	<u>6,37,94,71,208</u>
Total		<u>22,34,32,87,441</u>	<u>17,88,99,56,243</u>
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	2.10	6,62,79,336	6,12,36,327
- Intangible assets	2.11	2,21,86,359	2,70,14,871
- Intangible assets under development	2.12	19,79,552	14,61,500
Non-current investments	2.13	1,06,552	6,60,42,910
Deferred tax asset, net	2.31	2,42,62,206	1,38,26,798
Long-term loans and advances	2.14	14,26,99,55,972	12,50,83,27,722
Other non-current assets	2.15	8,75,368	10,21,197
		<u>14,38,56,45,345</u>	<u>12,67,89,31,325</u>
Current assets			
Current investments	2.16	90,70,101	98,65,397
Cash and bank balance	2.17	22,79,04,500	19,76,93,100
Short-term loans and advances	2.18	6,77,45,09,796	4,39,82,64,625
Other current assets	2.19	94,61,57,699	60,52,01,796
		<u>7,95,76,42,096</u>	<u>5,21,10,24,918</u>
Total		<u>22,34,32,87,441</u>	<u>17,88,99,56,243</u>
Significant accounting policies	1		
Notes to the financial statements	2		
The notes referred above form an integral part of the financial statements			

As per our report of even date attached

 for **B S R & Associates LLP**
Chartered accountants

ICAI Firm's regn. no. 116231W/W-100024

Sd/-

Sriram Mahalingam
Partner

Membership No. 049642

 for **Lalith Prasad and Co**
Chartered accountant

Firm's registration no. 008089S

Sd/-

S. Lalith Prasad
Partner

Membership No. 023665

For and on behalf of the Board of Directors of

Karvy Financial Services Limited

Sd/-

Amit Saxena
CEO and Whole Time Director

DIN: 05248652

Sd/-

B.D. Narang
Director

DIN: 00038052

Sd/-

Abhishek Baxi
Chief Financial Officer

PAN: AFYPB3445H

Place : Hyderabad

Date: 30 June 2015

Sd/-

M. Yugandhar
Director

DIN: 00012265

Sd/-

V. Mahesh
Director

DIN:00800219

Sd/-

Meenal Talesara
Company Secretary

M.No.: A22658

Place : Hyderabad

Date: 30 June 2015

Place : Hyderabad

Date: 30 June 2015

KARVY FINANCIAL SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2015

(All amounts in Indian rupees, except share data and where otherwise stated)

	Note	For the year ended 31 March 2015	For the year ended 31 March 2014
Revenue			
Revenue from operations	2.20	3,57,97,87,839	2,94,01,86,003
Total Revenue		3,57,97,87,839	2,94,01,86,003
Expenses			
Operating expenses	2.21	19,95,09,616	17,06,60,425
Employee benefits	2.22	35,50,13,826	31,21,00,040
Finance costs	2.23	2,09,33,17,852	1,62,95,89,290
Depreciation and amortisation	2.24	3,59,40,504	2,47,02,326
Other expenses	2.25	30,79,60,750	25,13,69,301
Total Expense		2,99,17,42,548	2,38,84,21,382
Profit before tax		58,80,45,291	55,17,64,621
Tax expenses :			
- Current tax		21,24,35,733	19,31,03,339
- Deferred tax		(1,04,35,408)	(48,02,379)
Profit for the year		38,60,44,966	36,34,63,661
Earnings per equity share [nominal value of share Rs. 10 (previous year: Rs. 10)]	2.35		
Basic		5.00	4.16
Diluted		5.00	4.16
Significant accounting policies	1		
Notes to the financial statements	2		
The notes referred above form an integral part of the financial statements			

As per our report of even date attached

 for **BSR & Associates LLP**

Chartered accountants

ICAI Firm's regn. no. 116231W/W-100024

Sd/-

Sriram Mahalingam

Partner

Membership No. 049642

 for **Lalith Prasad and Co**

Chartered accountant

Firm's registration no. 008089S

Sd/-

S. Lalith Prasad

Partner

Membership No. 023665

For and on behalf of the Board of Directors of

Karvy Financial Services Limited

Sd/-

Amit Saxena

CEO and Whole Time Director

DIN: 05248652

Sd/-

B.D. Narang

Director

DIN: 00038052

Sd/-

Abhishek Baxi

Chief Financial Officer

PAN: AFYPB3445H

Place : Hyderabad

Date: 30 June 2015

Sd/-

M. Yugandhar

Director

DIN: 00012265

Sd/-

V. Mahesh

Director

DIN:00800219

Sd/-

Meenal Talesara

Company Secretary

M.No.: A22658

Place : Hyderabad

Date: 30 June 2015

Place : Hyderabad

Date: 30 June 2015

KARVY FINANCIAL SERVICES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

(All amounts in Indian rupees, except share data and where otherwise stated)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from operating activities		
Net profit before tax	58,80,45,291	55,17,64,621
Adjustments:		
- Depreciation and amortisation	3,59,40,504	2,47,02,326
- Provision against standard assets	1,02,12,123	47,57,745
- Provision against non performing assets	15,76,353	(17,75,848)
-Interest on bank deposits	(48,27,358)	(1,53,944)
-Interest on debt securities	(20,67,110)	(64,59,447)
-Profit on sale of Debt Securities	(10,51,565)	-
Operating cash flows before working capital changes	62,78,28,238	57,28,35,453
(Increase)/ decrease in loans and advances	(4,13,81,55,279)	(1,94,46,99,892)
(Increase) / decrease in other current assets	(34,09,55,903)	78,22,394
Increase / (decrease) in trade payables, provisions and other liabilities	8,33,00,389	26,13,07,697
Cash generated from operations	(3,76,79,82,555)	(1,10,27,34,348)
Income taxes paid	(22,13,75,341)	(19,95,11,846)
Net cash flow used in operating activities (A)	(3,98,93,57,896)	(1,30,22,46,194)
Cash flows from investing activities		
Purchase of fixed assets (tangible and intangible fixed assets, Intangible assets under development)	(3,63,71,496)	(1,03,53,817)
Proceeds from sale of investments	6,77,83,219	-
Investments in bank deposits (having original maturity of more than three months)	(5,01,48,971)	(70,123)
Interest on bank deposits	48,27,358	1,53,944
Interest on debt securities	20,67,110	64,59,447
Net cash used by investing activities (B)	(1,18,42,780)	(38,10,549)
Cash flows from financing activities		
Dividend paid on equity shares	(18,30,00,000)	(8,20,00,000)
Dividend distribution tax on dividend on equity shares	(3,65,89,321)	(1,39,35,900)
Distribution of preference dividend	(11,45,83,333)	(16,70,34,246)
Dividend distribution tax on dividend on preference shares	(2,29,09,981)	(2,83,71,756)
Debenture issue expenses	(90,00,000)	-
Proceeds from borrowings - secured	63,32,57,14,245	3,08,40,00,000
Proceeds from borrowings - unsecured	17,71,42,36,660	11,52,02,69,860
Repayment of borrowings - secured	(59,52,07,40,296)	(1,84,55,86,530)
Repayment of borrowings - unsecured	(17,17,20,10,698)	(10,98,49,99,891)
Net cash from financing activities (C)	3,98,11,17,276	1,48,23,41,537
Net (decrease) / increase in cash and cash equivalents (A + B + C)	(2,00,83,400)	17,62,84,794
Cash and cash equivalents at beginning of the year	19,70,99,196	2,08,14,402
Cash and cash equivalents at end of the year	17,70,15,796	19,70,99,196
Cash and cash equivalents		
Cash on hand	24,315	3,512
Balance with banks		
- on current accounts	17,69,91,481	19,70,95,684
	17,70,15,796	19,70,99,196

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

As per our report of even date attached

 for **BSR & Associates LLP**
Chartered accountants

ICAI Firm's regn. no. 116231W/W-100024

Sd/-

Sriram Mahalingam
Partner

Membership No. 049642

 for **Lalith Prasad and Co**
Chartered accountant

Firm's registration no. 008089S

Sd/-

S. Lalith Prasad
Partner

Membership No. 023665

For and on behalf of the Board of Directors of

Karvy Financial Services Limited

Sd/-

Amit Saxena
CEO and Whole Time Director

DIN: 05248652

Sd/-

B.D. Narang
Director

DIN: 00038052

Sd/-

Abhishek Baxi
Chief Financial Officer

PAN: AFYPB3445H

Place : Hyderabad

Date: 30 June 2015

Sd/-

M. Yugandhar
Director

DIN: 00012265

Sd/-

V. Mahesh
Director

DIN:00800219

Sd/-

Meenal Talesara
Company Secretary

M.No.: A22658

Place : Hyderabad

Date: 30 June 2015

Place : Hyderabad

Date: 30 June 2015

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

(All amounts in Indian rupees, except share data where otherwise stated)

Company overview

Karvy Financial Services Limited (the "Company" or "KFSL") was incorporated on 18 October 2001. The Company is registered with Reserve Bank of India to carry out the business of Non Banking Financial Company not accepting or holding public deposits. The Company is primarily engaged in the business of lending against property, gold and securities.

1. Significant accounting policies

Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards ("AS") specified under Section 133 of the Companies Act, 2013 (the Act) read with Rule 7 of the Companies (Accounts) Rules, 2014, the relevant guidelines of Reserve Bank of India ("RBI") to the extent applicable to a Non Banking Finance Company not accepting or holding public deposits and other accounting principles generally accepted in India to the extent applicable. The financial statements are presented in Indian Rupees rounded off to the nearest rupee.

Use of estimates

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

Current – non-current classification

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

Assets

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

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

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

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

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

Current liabilities include the current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

Company has ascertained its operating cycle as 12 months that is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

Revenue recognition

- Interest income on loan portfolio is recognised in the statement of profit and loss on accrual basis taking into account the amount outstanding and the rate applicable except in the case of non-performing assets ("NPA's") where it is recognised, upon realization, as per RBI guidelines.
- Fee income including loan processing fee and other fee are accounted for upfront as and when it become due as per the terms of contract entered into with the customer.
- Interest on fixed deposits and debt securities are accrued on the time proportion basis, taking into account the amount outstanding and interest rate applicable.
- Profit / loss on sale of stock in trade and derivative instruments are recognised at the time of sale.

Assets classification and Provisioning policy for Loan Portfolio

The Company has adopted Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended and prescribed by Reserve Bank of India from time to time for its assets classification and provisioning policy. Non-performing assets are written off / provided for, as per management estimates, subject to the minimum provision required as per said regulation.

KARVY FINANCIAL SERVICES LIMITED**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)**

(All amounts in Indian rupees, except share data where otherwise stated)

Fixed assets and depreciation**Tangible fixed assets**

Tangible fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

The cost of tangible fixed assets acquired but not ready for their intended use as at the balance sheet date are disclosed as capital work-in-progress.

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management which is in line with the useful life as specified in Schedule II of the Act. Depreciation is calculated on a pro-rata basis from/ upto the month the assets are purchased/ sold. Temporary structures are fully depreciated in the year of construction.

With effect from 1 April 2014, the Management has re-assessed and revised the estimated useful life of the tangible fixed assets other than leasehold improvements and assets costing less than Rs.5,000 as specified in Schedule II to the Companies Act, 2013

Depreciation is calculated on a pro-rata basis from / up to the date the assets are purchased / sold. Individual assets costing less than Rs. 5,000 are depreciated fully in the year of purchase.

Intangible fixed assets

Intangible fixed assets are carried at cost of acquisition less amortization. Intangible assets that are acquired by the Company are measured initially at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Product process handling software primarily comprises of software used in the business of lending against property, gold and securities and are amortised over their estimated useful life of 5 years.

Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that any assets forming part of its cash generating units may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs to is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the reassessed recoverable amount subject to a maximum of depreciated historical cost.

Benchmark linked debentures

The Company has issued certain secured redeemable non-convertible debentures, the return of which is linked to performance of specified indices/ commodities over the period of the debenture. Such debentures have a component of an embedded derivative which is fair valued at year end. The resultant net unrealised loss or gain on the fair valuation of these embedded derivatives is recognised in the Statement of profit and loss. The debt component of such debentures is measured at amortised cost using yield to maturity basis.

Investments

Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost or fair value. The comparison of cost and fair value is done separately in respect of each category of investments i.e., Equity shares, preference shares, debt securities etc.

Long term investments are carried at cost less any other temporary diminution in value, determined separately for each individual investment.

Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

Foreign Currency Transactions

Foreign currency transactions are accounted for at the rates prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denoted in foreign currencies as at the Balance Sheet date are translated at the closing exchange rates. Resultant exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency at the Balance Sheet date are reported using exchange rates at the date of the transaction

Employee benefits**Defined contribution plans**

The Company makes specified monthly contribution towards employee provident fund to Government administered provident fund scheme, which is a defined contribution scheme. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data where otherwise stated)

Defined benefits plan

The Company provides for gratuity, a defined benefit retirement plan covering eligible employees. Gratuity is covered under a scheme administered by the Canara HSBC Oriental Bank of Commerce Life Insurance Co Limited (Group Gratuity scheme) and the contributions made by the company to the scheme are recognised in Statement of Profit and Loss. The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets. The calculation of the Company's obligation under the plan is performed annually by qualified independent actuary using the projected unit credit method.

Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss.

Compensated absences

Compensated absences, is a long-term employee benefit, and accrued based on an actuarial valuation done as per projected unit credit method as at the Balance Sheet date, carried out by an independent actuary.

Actuarial gains and losses arising during the year are immediately recognised in the Statement of Profit and Loss.

Operating leases

Lease payments for assets taken on operating lease are charged in the Statement of profit and loss on a straight-line basis over the lease term.

Income Tax

Income tax expense comprises current tax and deferred tax.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or benefit reflects the tax effects of timing differences between accounting income and taxable income for the year. The deferred tax charge or benefit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Earnings per share

Basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed to have been converted as of the beginning of the year, unless they have been issued at a later date.

Borrowing costs

Borrowing cost includes interest and other cost including, amortization of ancillary borrowing costs. Interest on borrowings is expensed in the period to which they relate. Ancillary costs incurred in connection with the terms of borrowing are amortised over the tenure of the borrowing on straight line basis.

Provisions and contingent liabilities

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

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

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015	As at 31 March 2014
2.1 Share capital		
Authorised		
105,000,000 (Previous year: 55,000,000) Equity shares of Rs.10 each	1,05,00,00,000	55,00,00,000
100,000,000 (Previous year: 150,000,000) 11% Compulsorily convertible cumulative preference shares ('CCCPS') of Rs.10 each	1,00,00,00,000	1,50,00,00,000
	<u>2,05,00,00,000</u>	<u>2,05,00,00,000</u>
Issued, subscribed and paid-up:		
61,000,000 (Previous year: 41,000,000) Equity shares of Rs. 10 each, fully paid-up.	61,00,00,000	41,00,00,000
50,000,000 (previous year: 150,000,000) 11% Compulsorily convertible cumulative preference shares of Rs 10 each, fully paid up	50,00,00,000	1,50,00,00,000
	<u>1,11,00,00,000</u>	<u>1,91,00,00,000</u>

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015		As at 31 March 2014	
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2.1 Share capital (Continued)
Reconciliation of shares outstanding at the beginning and at the end of the reporting year:

Particulars	Number of Shares	Amount	Number of Shares	Amount
Equity shares				
At the commencement of the year	4,10,00,000	41,00,00,000	4,10,00,000	41,00,00,000
Issued during the year	2,00,00,000	20,00,00,000	-	-
At the end of the year	6,10,00,000	61,00,00,000	4,10,00,000	41,00,00,000
CCCPS				
At the commencement of the year	15,00,00,000	1,50,00,00,000	15,00,00,000	1,50,00,00,000
Converted during the year	10,00,00,000	1,00,00,00,000	-	-
At the end of the year	5,00,00,000	50,00,00,000	15,00,00,000	1,50,00,00,000

The rights, preferences and restrictions attached to equity shares.

The Company has single class equity shares having a par value of Rs. 10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held. Upon show of hands, every Member present in person and holding any equity share capital therein, shall have one vote, in respect of such capital, on every resolution placed before the company.

The rights, preferences and restrictions attached to Compulsorily Convertible Cumulative Preference Share (CCCPS)

150,000,000 11% CCCPS of Rs. 10 each issued at par to Karvy Holdings Limited (a subsidiary of Karvy Stock Broking Limited, the holding company) and Karvy Realty (India) Limited during the Financial year 2013-14. These preference shares are convertible into equity shares of Rs.10 each in the ratio of 1 Equity share of every 5 Preference shares at quarterly intervals starting from 31 May 2014 and ending on 31 August 2015. Preference share holders carry a preferential right as to dividend over equity shareholders. Where dividend on Cumulative Preference Shares is not declared for a financial year, the entitlement thereto is carried forward. In the event of liquidation, preference share holders have preferential right over equity share holders to be repaid to the extent of Capital paid up and dividend in arrears of such shares. During the year, the Company has converted 10 crore CCCPS into 2 Crore equity shares in the ratio of 1 equity share for 5 preference share at a premium of Rs. 40 per equity share as per the agreement with preference shareholder.

Shares held by holding and their subsidiaries	As at 31 March 2015		As at 31 March 2014	
	Number of Shares	Amount	Number of Shares	Amount
Equity Shares of Rs. 10 each fully paid up held by				
Karvy Stock Broking Limited - Holding Company	2,70,00,000	27,00,00,000	2,70,00,000	27,00,00,000
Karvy Comtrade Limited (subsidiary of Karvy Stock Broking Limited)	1,10,00,000	11,00,00,000	1,10,00,000	11,00,00,000
Karvy Holdings Limited (subsidiary of Karvy Stock Broking Limited)	80,00,000	8,00,00,000	30,00,000	3,00,00,000
Karvy Realty (India) Limited (subsidiary of Karvy Stock Broking Limited)	1,50,00,000	15,00,00,000	-	-
	6,10,00,000	61,00,00,000	4,10,00,000	41,00,00,000
CCCPS of Rs. 10 each fully paid up held by				
Karvy Holdings Limited (Subsidiary of Karvy Stock Broking Limited)	5,00,00,000	50,00,00,000	7,50,00,000	75,00,00,000
Karvy Realty (India) Limited (subsidiary of Karvy Stock Broking Limited)	-	-	7,50,00,000	75,00,00,000

Particulars of shareholder holding more than 5% of equity shares of Rs. 10 each fully paid up is set below:

Name of the shareholder	Number of Shares	% of Holding	Number of Shares	% of Holding
Karvy Stock Broking Limited	2,70,00,000	44.26%	2,70,00,000	65.85%
Karvy Comtrade Limited	1,10,00,000	18.03%	1,10,00,000	26.83%
Karvy Holdings Limited	80,00,000	13.11%	30,00,000	7.32%
Karvy Realty (India) Limited	1,50,00,000	24.59%	-	-

Particulars of shareholder holding more than 5% of CCCPS shares of Rs. 10 each fully paid up is set below:

Name of the shareholder	Number of Shares	% of Holding	Number of Shares	% of Holding
Karvy Holdings Limited	5,00,00,000	100.00%	7,50,00,000	50.00%
Karvy Realty (India) Limited	-	0.00%	7,50,00,000	50.00%

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015	As at 31 March 2014
2.2 Reserves and surplus		
Securities premium account		
At the commencement of the year	1,19,50,00,000	1,19,50,00,000
Add: premium received	80,00,00,000	-
Less: amount utilised towards Debenture issue expenses	90,00,000	-
	<u>1,98,60,00,000</u>	<u>1,19,50,00,000</u>
Statutory reserve (created under Section 45-1C of RBI Act, 1934)		
At the commencement of the year	21,81,78,571	14,54,85,839
Add: amount transferred	7,72,08,993	7,26,92,732
	<u>29,53,87,564</u>	<u>21,81,78,571</u>
General reserve		
At the commencement of the year	7,32,68,731	4,60,08,956
Add: amount transferred from Surplus	2,89,53,372	2,72,59,775
	<u>10,22,22,103</u>	<u>7,32,68,731</u>
Surplus (Profit and loss balance)		
At the commencement of the year	23,43,10,895	25,97,77,391
Less: Depreciation as per transitional provisions of the Act(Refer note 2.10)	14,78,879	
Add: profit for the year	38,60,44,966	36,34,63,661
Less: Appropriations		
Transfer to statutory reserve	7,72,08,993	7,26,92,732
Dividend on Equity Shares paid for the year	18,30,00,000	8,20,00,000
Dividend distribution tax on equity shares	3,65,89,321	1,39,35,900
Dividend on CCCPS	11,45,83,333	16,50,00,000
Dividend distribution tax on CCCPS	2,29,09,981	2,80,41,750
Transfer to general reserve	2,89,53,372	2,72,59,775
	<u>15,56,31,982</u>	<u>23,43,10,895</u>
Total	<u>2,53,92,41,649</u>	<u>1,72,07,58,197</u>

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015	As at 31 March 2014
2.3 Long-term borrowings		
Secured redeemable non-convertible debentures (Refer note 2.38)	20,80,00,000	8,14,00,000
Term loans		
Secured		
from banks (Refer note 2.39)	8,14,67,97,606	6,86,41,93,838
Unsecured		
from banks (Refer note 2.41)	-	49,79,99,938
from other party (Refer note 2.42)	10,78,00,000	38,50,52,461
15.60% Unsecured redeemable non-convertible debentures (Refer note 2.44)	30,00,00,000	-
	8,76,25,97,606	7,82,86,46,237
2.4 Other long-term liabilities		
Interest accrued but not due on borrowings	98,28,122	1,10,77,295
	98,28,122	1,10,77,295
2.5 Long-term provisions		
Provision for employee benefits		
- Gratuity (Refer note 2.46)	54,51,227	37,75,891
- Compensated absences	11,24,212	51,74,520
Other provisions		
- Contingent provisions against standard assets (Refer note 2.29)	3,55,55,637	3,10,52,895
	4,21,31,076	4,00,03,306

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015	As at 31 March 2014
2.6 Short-term borrowings		
Loans repayable on demand		
Secured		
Cash credit from banks (Refer note 2.40)	1,55,60,87,283	75,73,19,100
Working capital demand loan from banks (Refer note 2.40)	55,00,00,000	-
	<u>2,10,60,87,283</u>	<u>75,73,19,100</u>
Unsecured		
From others		
- Working capital demand loan (Refer note 2.42)	32,94,00,001	15,77,11,236
- Commercial papers (Refer note 2.37)	2,50,00,00,000	1,50,00,00,000
Inter corporate deposit		
- From Related Parties* (Refer note 2.36 and 2.43)	-	5,92,00,000
- From others (Refer note 2.43)	-	57,00,00,000
	<u>2,82,94,00,001</u>	<u>2,28,69,11,236</u>
	<u>4,93,54,87,284</u>	<u>3,04,42,30,336</u>
2.7 Trade payables		
Trade payables		
- due to micro and small enterprises (Refer note 2.45)	-	-
- Others	1,76,32,738	4,91,56,674
	<u>1,76,32,738</u>	<u>4,91,56,674</u>
2.8 Other current liabilities		
Current maturity of long term debts from banks - secured (Refer note 2.39)	3,60,93,08,740	2,37,98,06,736
Current maturity of long term debts from banks - unsecured (Refer note 2.41)	47,49,89,597	-
Current maturity of secured redeemable non-convertible debentures (Refer note 2.38)	14,79,00,000	33,04,00,000
Book overdraft	51,12,50,835	45,50,92,076
Interest accrued but not due on borrowings	3,40,32,562	5,17,83,774
Other payables		
- Salaries and other liabilities	34,12,949	9,25,487
- Leave travel allowance payable	27,30,769	31,09,257
- Accrued expenses	3,57,87,042	2,91,59,007
- Statutory liabilities	2,09,23,970	1,41,68,257
	<u>4,84,03,36,464</u>	<u>3,26,44,44,594</u>
2.9 Short term provisions		
Provision for employee benefits		
- Gratuity (Refer note 2.46)	2,34,725	90,096
- Compensated absences	59,70,530	10,66,260
	<u>62,05,255</u>	<u>11,56,356</u>
	(A)	
Other provisions		
- Contingent provisions against standard assets (Refer note 2.29)	1,62,06,900	1,04,97,519
- Provision for non performing assets (Refer note 2.29 and 2.54)	41,21,045	25,44,692
- Provision for proposed dividend on CCCPS and tax thereon	5,94,99,302	-
- Provision for tax (net of advance tax)	-	74,41,037
	<u>7,98,27,247</u>	<u>2,04,83,248</u>
	(B)	
Total (A)+(B)	<u>8,60,32,502</u>	<u>2,16,39,604</u>

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.10 Tangible fixed assets

Description	Original Cost			Depreciation			Net book value		
	As at 1 April 2014	Additions	Deletions	As at 31 March 2015	For the year	Deletions	Transferred to Surplus*	As at 31 March 2015	As at 31 March 2014
Tangible assets									
Computer and related assets	1,98,18,178	42,61,156	-	2,40,79,334	83,59,743	-	14,78,879	71,94,900	1,27,72,366
Furniture and fixtures	3,50,73,051	63,92,220	-	4,14,65,271	40,42,040	-	-	3,32,52,859	3,09,02,679
Motor Car	-	1,02,74,248	-	1,02,74,248	2,95,860	-	-	99,78,388	-
Office equipment	1,93,90,695	48,50,163	-	2,42,40,858	65,58,256	-	-	1,58,53,189	1,75,61,282
Total	7,42,81,924	2,57,77,787	-	10,00,59,711	1,92,55,899	-	14,78,879	6,62,79,336	6,12,36,327
Previous year	6,78,00,069	64,81,855	-	7,42,81,924	59,63,683	-	-	6,12,36,327	-

*Pursuant to the notification of Schedule II of the Act, by the Ministry of Corporate Affairs effective 1 April 2014, the management has internally reassessed and changed, wherever necessary the useful lives to compute depreciation, to conform to the requirements of the Act. Consequently, the carrying amount of tangible assets at 1 April 2014 is being depreciated over the revised remaining useful life of the tangible asset. The carrying value of Rs 1,478,879, in case of assets with nil revised remaining useful life as at 1 April 2014 is reduced from the surplus as at such date. Further, had the Company continued with the previously assessed useful lives, charge for depreciation for the year ended 31 March 2015 would have been lower by Rs. 12,306,007 and the profit before tax would have been higher by such amount.

2.11 Intangible assets

Description	Original Cost			Amortisation			Net book value		
	As at 1 April 2014	Additions	Deletions	As at 31 March 2015	For the year	Deletions	Adjustment to Reserve	As at 31 March 2015	As at 31 March 2014
Product process handling software	8,78,07,515	1,18,56,093	-	9,96,63,608	1,66,84,605	-	-	2,21,86,359	2,70,14,871
Total	8,78,07,515	1,18,56,093	-	9,96,63,608	1,66,84,605	-	-	2,21,86,359	2,70,14,871
Previous year	7,33,86,585	1,44,20,930	-	8,78,07,515	1,87,38,643	-	-	2,70,14,871	-

2.12 Intangible assets under development

Description	As at 1 April 2014	Additions	Capitilised during the year	As at 31 March 2015
Software development	14,61,500	19,79,552	14,61,500	19,79,552
Total	14,61,500	19,79,552	14,61,500	19,79,552
Previous year	49,26,047	14,61,500	49,26,047	14,61,500

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015	As at 31 March 2014
2.13 Non current investments		
<i>(Valued at cost unless stated otherwise)</i>		
Non-Trade investments (Quoted)		
Investment in equity instruments		
96 Equity shares of Muthoot Finance Limited of Rs. 10 each fully paid up (Previous year : 96 Equity shares)	16,800	16,800
1,726 Equity shares of L&T Finance Holdings Limited of Rs. 10 each fully paid up (Previous year : 1,726 Equity shares)	89,752	89,752
Total (A)	1,06,552	1,06,552
Investments in debt securities (Refer note 2.32)	-	6,59,36,358
Total (B)	-	6,59,36,358
Total (A) + (B)	1,06,552	6,60,42,910
Quoted non-current investments		
Aggregate book value	1,06,552	6,60,42,910
Aggregate market value	1,27,962	6,57,39,059
2.14 Long-term loans and advances		
Secured, considered good		
- Loan portfolio	14,13,88,88,972	12,41,61,53,322
Unsecured, considered good		
Loan portfolio	34,00,000	50,04,579
Capital advances	3,42,962	21,23,393
Security deposits	4,24,20,020	2,74,05,159
Advance income tax (net of provision for tax)	14,98,571	-
Other loans and advances		
- Prepaid expenses	8,34,05,447	5,76,41,269
	14,26,99,55,972	12,50,83,27,722
2.15 Other Non-current assets		
Bank deposits (due to mature after 12 months from the reporting date)	8,75,368	10,21,197
	8,75,368	10,21,197

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	As at 31 March 2015	As at 31 March 2014
2.16 Current investments		
Current portion of long term investments		
Investments in debt securities-Quoted (Refer note 2.33)	90,70,101	98,65,397
	<u>90,70,101</u>	<u>98,65,397</u>
Quoted current investments		
Aggregate book value	90,70,101	98,65,397
Aggregate market value	97,40,601	1,01,38,000
2.17 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	24,315	3,512
Balance with banks		
- on current accounts	17,69,91,481	19,70,95,684
Other bank balances		
- Bank deposits with less than 12 months maturity	5,08,88,704	5,93,904
	<u>22,79,04,500</u>	<u>19,76,93,100</u>
2.18 Short term loan and advances		
Loans and advances to related parties		
(Unsecured, considered good)		
Other advances (Refer note. 2.36)	1,56,13,584	1,28,04,807
To parties other than related parties		
(Secured, considered good)		
Loan portfolio	6,56,76,78,913	4,22,44,46,974
(Unsecured, considered good)		
Loan portfolio	54,41,377	-
(Unsecured, considered good)		
Other advances	58,30,798	11,78,270
Service tax receivable	3,42,05,690	2,51,53,515
Prepaid expenses	14,39,00,222	13,30,37,051
Staff advance	18,39,212	16,44,008
	<u>6,77,45,09,796</u>	<u>4,39,82,64,625</u>
2.19 Other current assets		
Interest accrued		
- on loan portfolio	94,03,33,288	60,28,08,017
- on debt securities	10,51,324	23,18,411
- on bank deposits	47,73,087	75,368
	<u>94,61,57,699</u>	<u>60,52,01,796</u>

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

(All amounts in Indian rupees, except share data and where otherwise stated)

	For the year ended 31 March 2015	For the year ended 31 March 2014
2.20 Revenue from operations		
Interest income		
- on loan portfolio	3,41,94,84,425	2,80,74,98,841
- on investments	20,67,110	64,59,447
- on fixed deposits with banks	48,27,358	1,53,944
Other financial services		
- Fee income	14,53,32,223	12,23,52,242
Other income		
- Profit on sale of debt securities	10,51,565	-
- Profit/ loss on derivative instruments	70,25,158	37,21,529
	3,57,97,87,839	2,94,01,86,003
2.21 Operating expenses		
Direct selling agent commission	13,41,19,123	11,68,61,293
Business facilitation charges	3,20,56,983	3,19,77,291
Postage and communication	1,27,08,997	1,16,42,299
Contingent provisions against standard assets (Refer note 2.29)	1,02,12,123	47,57,745
Non performing assets provision ((Refer note 2.29)	15,76,353	(17,75,848)
Printing and stationery	88,36,037	71,97,645
	19,95,09,616	17,06,60,425
2.22 Employee benefits		
Salaries, wages and bonus	33,62,63,291	29,66,00,969
Contribution to provident fund and other fund (Refer Note 2.46)	1,31,31,153	1,14,24,387
Staff welfare expenses	56,19,382	40,74,684
	35,50,13,826	31,21,00,040
2.23 Finance costs		
Interest expenses	1,95,75,80,481	1,49,56,55,484
Interest expense on redeemable non-convertible debentures	3,98,25,357	4,61,89,254
Other borrowing cost	9,59,12,014	8,77,44,552
	2,09,33,17,852	1,62,95,89,290
2.24 Depreciation and amortisation		
Depreciation of tangible fixed assets	1,92,55,899	59,63,683
Amortisation of intangible fixed assets	1,66,84,605	1,87,38,643
	3,59,40,504	2,47,02,326
2.25 Other expenses		
Rent (Refer note. 2.30)	4,88,93,816	4,51,94,642
Legal and professional charges	9,09,07,087	6,99,09,318
Auditor remuneration (Refer note 2.27)	35,30,216	30,22,040
Office maintenance	2,88,85,233	2,89,46,772
Rates and taxes	3,46,05,269	2,82,82,757
Business promotion expenses /lead generation	2,66,34,439	1,63,84,474
Repairs and maintenance	2,49,75,092	1,74,22,852
Travelling and conveyance	1,76,21,699	1,52,55,514
Electricity charges	87,14,496	67,70,398
Business Support service	1,70,00,000	1,26,00,000
Insurance	46,63,176	63,55,425
Miscellaneous expenses	15,30,227	12,25,109
	30,79,60,750	25,13,69,301

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and unless otherwise stated)

2.26 Capital commitments and contingent liabilities (to the extent not provided for)

Particulars	As at 31 March 2015	As at 31 March 2014
Capital commitment: Estimated amount of contracts remaining to be executed on capital account and not provided for [net of advances of Rs. 1,50,000 (previous year: Nil)]	150,000	-
Contingent liabilities (including claims against the Company not acknowledged as debt)	-	-

2.27 Auditors' remuneration:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Audit Fee	2,750,000	2,300,000
Other Services	656,750	550,000
Out of pocket expenses	123,466	172,040
Total	3,530,216	3,022,040

2.28 Segmental Reporting

a) Business segment:

The company is engaged in secured lending business. Accordingly there is no reportable segment to be disclosed as required by Accounting Standard 17 'Segment Reporting'.

b) Geographical segment:

During the year under report, the Company has engaged in its business primarily within India. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

2.29 Standard asset provision and non performing asset provision

a) Provision as at

Asset classification	31 March 2015		31 March 2014	
	Loan portfolio	Provision	Loan portfolio	Provision
Standard asset	20,705,014,813	51,762,537	16,620,157,952	41,550,414
Sub standard asset	10,394,449	4,121,045	25,446,923	2,544,692
Total	20,715,409,262	55,883,582	16,645,604,875	44,095,106

b) Movement in provision during the year is given below:

Particulars	Standard asset provision	Sub standard asset provision	Total
Balance as at 1 April 2014	41,550,414	2,544,692	44,095,106
Additions during the year	10,212,123	1,576,353	11,788,476
Balance as at 31 March 2015	51,762,537	4,121,045	55,883,582

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.30 Leases

The Company has both cancellable and non-cancellable leases. Lease payments relating to non cancellable operating leases amounting to Rs. 21,085,944 (previous year Rs. 17,462,121) and cancellable operating lease amounting to Rs. 27,807,872 (previous year Rs. 27,732,521) has been charged to the Statement of profit and loss (refer Note 2.25).

The total future minimum lease payments under non-cancellable leases are as follows:

Particulars	As at 31 March, 2015	As at 31 March, 2014
Due within one year	22,167,757	18,351,363
Due between one to five years	13,601,542	25,965,528
Total	35,769,299	44,316,891

2.31 Deferred tax, net

The deferred tax asset, net as at the year-end comprises of:

Particulars	As at 31 March, 2015	As at 31 March, 2014
Deferred tax assets		
- Employee benefits	4,344,158	3,605,240
- Provision for outstanding loan portfolio	18,932,491	14,987,928
Total	23,276,649	18,593,168
Deferred tax liability		
Excess of depreciation allowable under income-tax law over depreciation provided in accounts	(985,557)	4,766,370
Total	(985,557)	4,766,370
Deferred tax asset, net	24,262,206	13,826,798

2.32 Non-current investments

Sl.No.	Name of the scrip	As at 31 March, 2015		As at 31 March, 2014	
		Numbers	Amount	Numbers	Amount
	Value of Investment in India:				
1	8.84% Power Grid Corporation of India Limited	-	-	40	50,873,786
2	7.45% State Bank of India 2015	-	-	9	9,070,101
3	8.80% Rural Electrification Corporation	-	-	6	5,992,471
	Gross Value of Investment	-	-	55	65,936,358
Less:	Provision for diminution in value		-		-
	Net Value of Investment		-		65,936,358

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.33 Current investments-debt securities

Sl.No.	Name of the scrip	As at 31 March, 2015		As at 31 March, 2014	
		Numbers	Amount	Numbers	Amount
	Value of Investment in India:				
1	8.40% ONGC Videsh Limited	-	-	10	9,865,397
2	7.45% SBI 2015	9	9,070,101		
	Gross Value of Investment	9	9,070,101	10	9,865,397
Less:	Provision for diminution in value	-	-	-	-
	Net Value of Investment	9	9,070,101	10	9,865,397

2.34 Expenditure in foreign currency

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Business promotion	942,451	1,120,199
Professional fees	491,240	69,656
Employee training cost	175,882	-
Total	1,609,573	1,189,855

2.35 Earnings per share (EPS)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Earnings		
Profit after tax	386,044,966	363,463,661
Less: Dividend on preference shares and tax thereon	137,493,314	193,041,750
Net profit attributable to equity shareholders for calculation of basic EPS	248,551,652	170,421,911
Add: Dividend and tax thereon on 11% cumulative compulsorily convertible preference shares (CCCPS)	137,493,314	193,041,750
Net profit adjusted for the effects of dilutive potential equity shares for calculation of diluted EPS	386,044,966	363,463,661
Shares		
Number of shares at the beginning of the year	41,000,000	41,000,000
Add: weighted average number of equity shares issued during the year	8,750,000	-
Weighted average number of equity shares outstanding during the period for calculation of basic EPS	49,750,000	41,000,000
Effect of dilutive potential equity shares -Compulsorily convertible cumulative preference shares	10,000,000	30,000,000
Weighted average number of equity shares for calculation of diluted EPS	59,750,000	71,000,000
Earnings per share – basic	5.00	4.16
Earnings per share – diluted*	5.00	4.16

* 11% Compulsory Cumulative Convertible Preference Shares are anti dilutive in nature and the same have not been considered for calculating diluted earnings per share.

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.36 Related party disclosures

Name of the party	Nature of relationship
Karvy Stock Broking Limited	Holding Company
Mr. Amit Saxena	CEO and whole time director
Mr. Sunil Samdani***	Chief Financial Officer (till 10 th March 2015)
Mr. Abhishek Baxi***	Chief Financial Officer (with effect from 25 th March 2015)
Ms. Meenal Talesara***	Company Secretary
Karvy Comtrade Limited	Fellow subsidiary
Karvy Investor Services Limited	Fellow subsidiary
Karvy Capital Limited	Fellow subsidiary
Karvy Realty (India) Limited	Fellow subsidiary
Karvy Holdings Limited	Fellow subsidiary
Karvy Consultants Limited	Enterprises where KMP exercise significant Influence
Karvy Computershare Private Limited	Enterprises where KMP exercise significant Influence

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.36 Related party disclosures (Continued)

a) Related party transactions and balances:

Sl. No.	Nature of the Transaction	Karvy Consultants Limited		Karvy Comtrade Limited		Karvy Computershare Private Limited		Karvy Holdings Limited	
		2015	2014	2015	2014	2015	2014	2015	2014
I)	Transactions during the year								
(i)	Inter corporate deposit (ICD) given/ repaid#	-	-	-	30,000,000	-	155,000,000	-	-
(ii)	Inter corporate deposit taken/ refunded #	50,000,000	-	-	-	-	90,000,000	-	-
(iii)	Conversion of CCCPS into equity shares	-	-	-	-	-	-	250,000,000	-
(iv)	Reimbursement of expenses /others (net)*	-	380,400	290,002	-	-	-	-	-
(v)	Interest income on ICD	3,458,221	-	-	-	-	-	-	-
(vi)	Interest cost on ICD	-	-	-	1,664,384	-	10,671,239	-	-
(vii)	Brokerage paid**	-	-	1,760	18,178	-	-	-	-
(viii)	Loan syndication fee paid	-	-	-	-	-	-	25,000,000	12,750,000
(ix)	Dividend Paid	-	-	33,000,000	22,000,000	-	-	104,208,333	173,034,247
II)	Balances as on 31 March								
(i)	Other advances	-	-	72,254	2,309,239	-	-	-	-
(ii)	Trade payable	-	-	(133,260)	-	-	-	1,234,305	12,955,110
(iii)	Security deposits	500,000	500,000	-	-	-	-	-	-

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.36 Related party disclosures (Continued)

b) Related party transactions and balances:

Sl. No.	Nature of the Transaction	Karvy Stock Broking Limited		Karvy Investor Services Limited		Karvy Capital Limited		Karvy Reality (India) Limited	
		2015	2014	2015	2014	2015	2014	2015	2014
I	Transactions during the year								
(i)	Inter corporate deposit (ICD) given/ Repaid#	236,500,000	520,392,522	59,200,000	-	-	18,000,000		
(ii)	Inter corporate deposit taken/ refunded #	-	30,000,000	-	-	-	(18,000,000)		
(iii)	Conversion of CCCPS into equity shares	-	-	-	-	-	-	750,000,000	
(iv)	Reimbursement of expenses / others (net)*	142,027,235	127,857,172	-	-	-	-		
(v)	Interest income on ICD	-	7,228,815	-	-	-	80,815		
(vi)	Interest cost on ICD	9,023,178	499,317	7,948,206	7,979,527	-	-		
(vii)	Brokerage paid**	781,271	158,389	-	-	-	-		
(viii)	Corporate guarantee commission paid**	33,000,000	32,500,000	-	-	-	-		
(ix)	Other advisory fees	7,741,523	-	-	-	-	-		
(x)	Dividend Paid	81,000,000	54,000,000	-	-	-	-	79,375,000	
(xi)	Debtenture issue expenses	9,000,000	-	-	-	-	-		
II	Balance as at 31 March								
(i)	Inter corporate deposit taken	-	-	-	(59,200,000)	-	-	-	-
(ii)	Other advances	15,541,330	10,495,568	-	-	-	-	-	-
(iii)	Interest accrued but not due	-	-	-	(610,896)	-	-	-	-
(iv)	Trade payable / (Receivable)	-	15,455,002	-	-	-	-	-	-

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.36 Related party disclosures (Continued)

c) Related party transactions and balances with Key Managerial Personnel

S.No.	Nature of the transaction	CEO & Wholetime Director	Chief Financial Officer	Other Parties
		For the year ended 31st March 2015		
(i)	Managerial Remuneration	26,106,479	5,709,941	709,180

d) Karvy Stock Broking Limited, the holding company has given corporate guarantee for the term loans, cash credit facilities and working capital demand loans availed by the Company from the banks. (Refer note 2.39 and 2.40).

Maximum loan given / taken at any time during the year.

* Reimbursement of expenses includes cost shared towards salaries, infrastructure cost with the holding Company.

** Includes brokerage paid on behalf of Clients.

***Related parties has been identified as per section 2(76) of the Companies Act, 2013 which is applicable from 1 April 2014. Accordingly previous year transactions/ balances have not been provided for additional related parties as they were not covered under the earlier disclosure requirements.

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.37 Commercial paper

a) The Company issued commercial papers at a face value of Rs. 500,000 per unit. Balance outstanding as at 31 March 2015 is as given below:

Sl. No.	Issue Date	Maturity Date	Tenor (in days)	Amount	Unamortized Interest Cost	Outstanding balance
1	30-Mar-15	29-Mar-16	365	100,000,000	9,855,599	90,144,401
2	27-Mar-15	29-Dec-15	277	250,000,000	21,036,548	228,963,452
3	10-Dec-14	9-Dec-15	364	250,000,000	17,109,343	232,890,657
4	24-Sep-14	24-Sep-15	365	250,000,000	12,190,286	237,809,714
5	25-Mar-15	23-Jun-15	90	250,000,000	4,986,141	245,013,859
6	27-Mar-15	2-Jun-15	67	250,000,000	6,893,611	243,106,389
7	24-Mar-15	26-May-15	63	400,000,000	7,086,095	392,913,905
8	22-Aug-14	19-May-15	270	250,000,000	3,692,751	246,307,249
9	10-Mar-15	8-May-15	59	100,000,000	1,178,669	98,821,331
10	3-Sep-14	17-Apr-15	226	150,000,000	723,055	149,276,945
11	13-Feb-15	17-Apr-15	63	250,000,000	1,272,569	248,727,431
Total				2,500,000,000	86,024,667	2,413,975,333

The above commercial papers carry interest rates ranging from 11.00% to 12.50% per annum.

b) The Company issued commercial papers at a face value of Rs. 500,000 per Unit. Balance outstanding as at 31 March 2014 is as given below:

Sl. No.	Issue Date	Maturity Date	Tenor (in days)	Amount	Unamortized Interest Cost	Outstanding balance
1	27-Mar-14	27-Mar-15	365	250,000,000	23,430,328	226,569,672
2	28-Jan-14	28-Jan-15	365	250,000,000	20,498,559	229,501,441
3	4 Dec 2013	4-Dec-14	365	250,000,000	16,765,378	233,234,622
4	27-Mar-14	25-Jun-14	90	100,000,000	2,769,111	97,230,889
5	24-Mar-14	20-Jun-14	88	150,000,000	4,144,090	145,855,910
6	25-Feb-14	25-Apr-14	59	250,000,000	2,124,508	247,875,492
7	7-Jan-14	4-Apr-14	87	250,000,000	257,162	24,942,838
Total				1,500,000,000	69,989,136	1,430,010,864

The above commercial papers carry interest rates ranging from 10.50% to 12.90% per annum.

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.38 Terms of secured redeemable non convertible debentures
Break up of debentures as at 31 March 2015

Sl.No.	Series of issue	Amount	Date of allotment	Date of redemption
1	B43 - Type I	12,000,000	6-Jan-15	29-Jun-18
2	B45 - Type II	17,000,000	10-Feb-15	5-Jun-18
3	B32	12,000,000	6-Mar-13	30-Jun-16
4	B47	69,000,000	31-Mar-15	27-Jun-16
5	B46	13,000,000	12-Mar-15	3-Jun-16
6	B45 - Type I	13,000,000	10-Feb-15	5-May-16
7	B44	24,000,000	22-Jan-15	13-Apr-16
8	B36	9,000,000	17-Jan-14	11-Apr-16
9	B41	39,000,000	20-Nov-14	11-Apr-16
10	B29	7,000,000	10-Dec-12	30-Mar-16
11	B43 - Type II	20,000,000	6-Jan-15	29-Mar-16
12	B42	10,000,000	28-Nov-14	21-Feb-16
13	B40	12,000,000	5-Nov-14	28-Jan-16
14	B39	37,000,000	21-Oct-14	14-Jan-16
15	B28	10,700,000	2-Nov-12	30-Dec-15
16	B38	12,000,000	25-Sep-14	16-Dec-15
17	B21	19,500,000	27-Jul-12	30-Nov-15
18	B22	10,700,000	25-Jun-12	12-Oct-15
19	B37	9,000,000	12-Mar-14	3-Jun-15
	Total	355,900,000		

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.38 Terms of secured redeemable non convertible debentures
Break up of debentures as at 31 March 2014

Sl.No.	Series of issue	Amount	Date of allotment	Date of redemption
1	B-32	12,000,000	6-Mar-13	30-Jun-16
2	B-36	9,000,000	17-Jan-14	11-Apr-16
3	B-29	7,000,000	10-Dec-12	30-Mar-16
4	B-28	10,700,000	2-Nov-12	30-Dec-15
5	B-21	19,500,000	27-Jul-12	30-Nov-15
6	B-22	10,700,000	25-Jun-12	12-Oct-15
7	B-18	3,500,000	14-Mar-12	30-Jun-15
8	B-37	9,000,000	12-Mar-14	3-Jun-15
9	A-10	10,000,000	21-Nov-11	11-Mar-15
10	B-31	7,000,000	13-Dec-12	6-Mar-15
11	B-35	48,000,000	6-Dec-13	27-Feb-15
12	A-8	24,500,000	13-Oct-11	29-Jan-15
13	A-9	7,500,000	13-Oct-11	29-Jan-15
14	A-7	10,000,000	19-Sep-11	24-Dec-14
15	B-27	8,000,000	26-Oct-12	15-Oct-14
16	A-6	30,100,000	15-Jun-11	1-Oct-14
17	B-10	28,700,000	10-Jun-11	25-Sep-14
18	B-33	18,000,000	31-May-13	28-Aug-14
19	B-23	11,500,000	14-Aug-12	31-Jul-14
20	B-5	5,000,000	17-Feb-11	3-Jun-14
21	B-2	9,100,000	17-Jan-11	5-May-14
22	B-3	100,000,000	21-Dec-10	7-Apr-14
23	A-5	5,000,000	15-Dec-10	3-Apr-14
24	B-1	8,000,000	15-Dec-10	2-Apr-14
Total		411,800,000		

- A It includes current maturities of secured redeemable non-convertible debentures amounting to Rs. 147,000,000 (previous year Rs. 330,400,000) grouped under other current liabilities (Refer note 2.8)
- B The Coupon (interest) on debentures are based on the movement of gold price and S&P CNX Nifty Index as the underlying reference asset price.
- C The debentures along with coupon (interest) are secured by way of floating charge on the loan against share portfolio of the Company, ranking pari passu amongst the debenture Holders along with other lenders

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

2.39 Terms of the long term secured borrowings from banks
a) For the year ended 31 March 2015:

Nature of Facility	Amount Outstanding		Interest rates range	Terms of repayment
	Current	Non-current		
Term Loan*	180,000,000	670,000,000		20 Quarterly installments
	-	499,999,647		6 Half-yearly installments
	166,600,000	166,011,153		6 Half-yearly installments
	83,333,333	416,654,114		6 Half-yearly installments
	250,000,000	-		4 Half-yearly installments
	-	500,000,000		4 Half-yearly installments
	375,000,000	937,460,399		16 Quarterly installments
	62,500,000	937,162,290		16 Quarterly installments
	125,000,000	875,062,512		8 Half-yearly installments
Term Loan**	166,400,000	-	Base Rate+ 1.50% to 2.85%	6 Half-yearly installments
	92,307,700	46,153,835		13 Quarterly installments
	150,000,000	124,593,566		7 Half-yearly installments
	125,000,000	124,998,231		8 Quarterly installments
		249,931,302		6 Half-yearly installments
	166,666,000	166,663,135		6 Half-yearly installments
	350,000,000	349,752,575		4 Half-yearly installments
	-	499,823,268		4 Half-yearly installments
	600,000,000	-		5 Half-yearly installments
	-	499,970,202		4 Half-yearly installments
	125,000,000	375,000,000		16 Quarterly installments
	125,000,000	374,810,891		4 Half-yearly installments
	49,835,038	-		10 Quarterly installments
	83,333,333	166,665,679		12 Quarterly installments
Term Loan***	333,333,336	166,084,807		12 Quarterly installments
Total	3,609,308,740	8,146,797,606		

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

2.39 Terms of the long term secured borrowings from banks

b) For the year ended 31 March 2014:

Nature of Facility	Amount Outstanding		Interest rates range	Terms of repayment
	Current	Non-current		
Term Loan*	124,999,700	-	Base rate +2.00 % to 2.85 %	12 quarterly installments
	166,800,000	166,400,000		6 half-yearly installments
	92,307,700	138,461,531		13 quarterly installments
	166,600,000	333,339,773		6 half-yearly installments
	166,600,000	333,361,326		6 half-yearly installments
	150,000,000	274,578,012		7 half-yearly installments
	-	250,032,290		8 quarterly installments
	166,666,000	333,302,180		6 half-yearly installments
	-	698,530,360		4 half-yearly installments
	600,000,000	600,000,000		5 half-yearly installments
	-	499,999,290		4 half-yearly installments
	-	500,000,000		16 quarterly installments
	-	499,853,320		4 half-yearly installments
Term Loan***	100,000,000	49,833,616	10 quarterly installments	
Term Loan**	333,333,336	499,569,419	12 quarterly installments	
Term Loan****	125,000,000	375,000,000	4 half-yearly installments	
	187,500,000	1,311,932,721	16 quarterly installments	
Total	2,379,806,736	6,864,193,838		

* First pari passu charge on standard assets portfolio of receivables.

** First pari passu charge on the standard assets portfolio receivables pertaining to loan against commodities, loan against property and loan against gold.

*** First pari passu charge on the receivables pertaining to loan against property and loan against gold.

**** Hypothecation of the specific current assets including loan receivables and other current assets and after excluding the current assets not eligible to be financed under RBI guidelines.

(Note: Above mentioned borrowings from banks are secured by corporate guarantee issued by the holding company)

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.40 Terms of the secured cash credits and working capital demand loan from banks (Included in Short term borrowings)
a) For the year ended 31 March 2015:

Nature of facility	Amount Outstanding	Interest rates	Terms of repayment
	Current		
Cash Credit*	406,793,743	Base rate +1.50% to 2.50%	Repayable on demand
	470,803,856		
	238,749,537		
Cash Credit**	439,740,147		
Total	1,556,087,283		
Working Capital Demand Loan**	300,000,000		Repayable on
Working Capital Demand Loan*	250,000,000		demand
Total	550,000,000		

b) For the year ended 31 March 2014:

Nature of facility	Amount Outstanding	Interest rates	Terms of repayment
	Current		
Cash Credit*	96,728,105	Base rate +1.50% to 2.75%	Repayable on demand
	131,879,029		
	243,836,700		
Cash Credit***	255,818,798		
Cash Credit**	29,056,468		
Total	757,319,100		

* First pari passu charge on the standard assets portfolio receivables pertaining to loan against commodities, loan against property and loan against gold.

** Hypothecation of the specific current assets including loan receivables and other current assets and after excluding the current assets not eligible to be financed under RBI guidelines.

*** First pari passu charge on standard assets portfolio of receivables.

(Note: Above mentioned borrowings from banks are secured by corporate guarantee issued by the holding company.)

2.41 Terms of the Long term unsecured borrowings from banks

Current maturity of long term unsecured borrowing from bank under other current liabilities head includes Rs. 250,000,000 (previous year: Rs. 497,999,938 shown as an long term unsecured borrowing from bank) is secured by fixed deposit made by Karvy Stock Broking Limited, Holding Company. The loan will be repaid by 26 March 2016 at an interest rate of 10.00% p.a.

Current maturity of long term unsecured borrowing from bank under other current liabilities head includes Rs. 224,989,597 (previous year: Nil) is secured by corporate guarantee issued by Karvy Stock Broking Limited, Holding Company. The loan will be repaid by 17 December 2015 in 4 Quarterly Installment at an interest rate of 13.10% p.a. i.e. Base Rate + 2% p.a.

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.42 Terms of the unsecured borrowings from other parties
a) For the year ended 31 March 2015:

Nature of facility	Amount Outstanding		Interest rates	Terms of repayment
	Short term	Long term		
Line of credit against shares	65,900,000	-	12.25%	Repayable on demand
	131,000,000	-	to	
	132,500,001	-	13.00%	
	-	107,800,000		Repayable within 5 years
Total	329,400,001	107,800,000		

b) For the year ended 31 March 2014:

Nature of facility	Amount Outstanding		Interest rates (p.a.)	Terms of repayment
	Short term	Long term		
Line of credit against shares	157,711,236	-	12.00%	Repayable on demand
	-	152,706,461	to	Repayable within 5 years
	-	232,346,000	13.00%	Repayable within 3 years
Total	157,711,236	385,052,461		

2.43 Terms of Inter Corporate Deposits (ICD) (unsecured)
a) For the year ended 31 March 2015:

ICD taken from	Amount outstanding	Repayable by	Interest Rates (p.a.)
Related Parties	-	-	-
Others	-	-	-
Total	-		

b) For the year ended 31 March 2014:

ICD taken from	Amount outstanding	Repayable by	Interest Rates (p.a.)
Related Parties	59,200,000	6 December 2014	13.50% to 15%
Others	570,000,000	20 May 2014	
Total	629,200,000		

2.44 Unsecured non convertible debenture:

During the year the Company has issued 15.60% 300 unsecured redeemable non-convertible debentures of Rs. 1,000,000 each amounting to Rs 300,000,000 redeemable by 11 May 2020.

KARVY FINANCIAL SERVICES LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.45 Micro, small and medium enterprises :

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2015 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
The amount of interest accrued and remaining unpaid at the end of the year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise	-	-

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.46 Defined benefit plans

- a) **Gratuity:** The Company makes annual contribution to a gratuity fund administered by trustees and managed by Canara HSBC Oriental Bank of Commerce Life Insurance Co Limited. Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

Gratuity liability	For the year ended 31 March 2015	For the year ended 31 March 2014	For the year ended 31 March 2013	For the year ended 31 March 2012	For the year ended 31 March 2011
Opening defined benefit obligation	4,398,261	3,485,820	1,692,353	757,356	649,501
Current service cost	1,695,093	1,253,283	1,253,914	709,937	335,488
Interest cost	395,843	278,866	143,850	60,588	51,960
Actuarial (losses) / gain	203,147	(619,708)	395,703	394,785	(279,593)
Benefits paid	(426,313)	-	-	(230,313)	-
Closing defined benefit obligation	6,266,131	4,398,261	3,485,820	1,692,353	757,356

Movement in fair value of planned assets					
Fair value of plan asset at the beginning of year	532,274	530,000	-	-	-
Difference in opening balance	50,179	2,274	-	-	-
Contributions paid into the plan	-	-	500,000	-	-
Actual return on plan assets	-	-	30,000	-	-
Benefits paid	-	-	-	-	-
Expected return on plan assets	-	-	-	-	-
Actuarial (loss) / gain and others	-	-	-	-	-
Fair value of plan assets at the end of the year	582,453	532,274	530,000	-	-

Expenses recognised in the statement of profit and loss					
Current service cost	1,695,093	1,253,283	1,253,914	709,937	335,488
Interest cost	395,843	278,866	143,850	60,588	51,960
Expected return on plan assets	(50,179)	-	(30,000)	-	-
Net actuarial gain/ (loss) recognized	203,147	(619,708)	395,703	384,785	(279,593)
Amount included in employee benefit expenses	2,243,904	912,441	1,763,467	1,165,310	107,855

Amount recognised in balance sheet					
Present value of obligation as at the end of the year	6,266,131	4,398,261	3,485,820	1,692,353	757,356
Fair value of plan assets as at the end of the year	(582,453)	(532,274)	(530,000)	-	-

Assumptions					
Discount rate	7.80%	8.00%	8.00%	8.50%	8.00%
Salary escalation rate	4.00%	4.00%	4.00%	4.00%	4.00%
Rate of return on plan assets	9.42%	9.00%	9.00%	-	-
Expected average remaining working lives of employees (years)	26 yrs	27 yrs	28 yrs	28 yrs	28 yrs

Discount rate: The discount rate is based on the prevailing market yields of Indian Government Securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.46 Defined benefit plans (Continued)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Amount recognized in Statement of Profit and Loss towards		
- provident fund	12,655,434	10,883,076
- employee state insurance	306,169	386,246
- labour welfare fund	169,550	155,065
Total	13,131,153	11,424,387

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.47 A. Open interest in Equity index / Commodity futures as at 31 March 2015:

Sl.No.	Name of future	Series of future	Position	Number of contracts	Number of units involved
1.	Nifty	April	Long	156	3900
2.	Gold	-	-	-	-

B. Open interest in Equity index / Commodity futures as at 31 March 2014:

Sl.No.	Name of future	Series of future	Position	Number of contracts	Number of units involved
1.	Nifty	-	-	-	-
2.	Gold	-	-	-	-

C. Mark to Market gains (losses) on equity index/commodity future changed to the statement of profit and loss Rs.7,025,158 (Previous year Rs.3,721,529).

2.48 Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014
a) Capital to Risk Asset ratio (CRAR)

Sl.No.	Particulars	2014-15	2013-14
(i)	CRAR%	17.08%	20.03%
(ii)	CRAR-Tier I Capital %	15.47%	19.79%
(iii)	CRAR-Tier II Capital %	1.61%	0.24%
(iv)	Amount of Subordinated debt raised as per Tier II Capital (Rs. In lakhs)	3,000	-
(v)	Amount raised by issue of perpetual debt instrument	-	-

b) Exposure to Real Estate Sector, both direct and indirect

(Rs. in Lakhs)

Categories	As at 31 March 2015	As at 31 March 2014
I. Direct Exposure		
i. Residential Mortgages (Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented)	127,024	88,131
ii. Commercial Real Estate (Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	38,109	32,732
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures.	-	-
a) Residential		
b) Commercial Real Estate		

II. Indirect Exposure		
i. (Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

c) Maturity pattern of certain items of assets and liabilities

(Rs. in Lakhs)

Particulars 14-15	1 day to 30/ 31 days 1 month	Over 1 month Upto 2 months	Over 2 months Upto 3 months	Over 3 months Upto 6 months	Over 6 months Upto 1 Year	Over 1 Year Upto 3 Years	Over 3 Years Upto 5 Years	Over 5 Years	Total
Borrowings from banks	5,397.40	3,930.77	4,853.83	11,866.62	35,855.23	60,459.71	21,008.27	-	143,371.83
Market borrowings	3,998.00	7,500.00	5,090.00	3,826.79	9,358.00	1,790.00	1,368.00	3,000.00	35,931.79
Advances	13,673.76	1,209.36	1,753.87	11,592.43	37,503.23	50,978	44,543.30	45,901.25	207,154.09
Investments					90.70	1.06			91.76

(Rs. in Lakhs)

Particulars 13-14	1 day to 30/ 31 days 1 month	Over 1 month Upto 2 months	Over 2 months Upto 3 months	Over 3 months Upto 6 months	Over 6 months Upto 1 Year	Over 1 Year Upto 3 Years	Over 3 Years Upto 5 Years	Over 5 Years	Total
Borrowings from banks	3,551.62	1,480.44	1,666.33	8,684.17	20,539.62	61,754.08	11,867.85	-	109,544.11
Market borrowings	6,130.00	5,866.00	2,610.00	982.00	10,585.00	3,137.46	1,527.18	-	30,837.64
Advances	11,756.35	1,784.27	1,638.53	8,406.81	24,050.56	55,035.41	15,162.24	48,621.95	166,456.12
Investments	-	-	-	-	98.65	599.44	-	59.92	758.01

d) During the year the Company was assigned credit rating by ICRA Limited for below mentioned product:

Rating of products:	2014-15	2013-14
(a) Commercial Paper	A1+(SO)	A1+(SO)
(b) Debentures	PP - MLD A	PP - MLD A
(c) Long Term Bank loans	A1+(SO)	A+(SO)

e) As required under circular RBI/2013-14/260/DNBS. CC.PD.No.356/03.10.01/2013-14 dated 16 September 2013 issued by Reserve Bank of India details of gold auction conducted during the year are as under:

Financial Year	Number of loan account auctioned	Outstanding amount	Value fetched	Sister concern participation in auction
2014-15	8,058	543,457,006	549,963,527	None
2013-14	13,010	1,045,774,655	1,056,629,058	None

f) Concentration of advances / exposures and non-performing assets (NPA):

Particulars	As at 31 March 2015
Total advances / exposures to twenty largest borrowers	2,656,566,909
Percentage of advances to twenty largest borrowers to total advances	12.82%
Total exposure to top four NPA accounts	5,055,665

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

g) Exposure to Capital Market

Particulars	As at 31 March 2015	As at 31 March 2014
Direct investment in equity shares	106,552	106,552
Unsecured advances to stockbroker	15,720,136	12,911,359
Advances against shares / other securities to individuals for investment in shares	243,537,000	226,017,000

h) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC:

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2015 and 31 March 2014.

i) Registration obtained from other financial sector regulators.

Sr. No.	Regulator	Registration No.	Date of Registration
1	Ministry of Corporate Affairs	U67190MH2001PLC227379	18-10-2001
2	Pension Fund Regulatory and Development Authority (PFRDA)	04111	07-04-2011

j) Details of penalties imposed by RBI and other regulators:

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2015 and 31 March 2014

k) Disclosures relating to fraud in terms of the notification issued by Reserve Bank of India:

During the year ended 31 March 2015, the Company has not detected any fraud.

l) Unsecured Advances

Particulars	As at 31 March 2015	As at 31 March 2014
Unsecured Advances	5,417,377	5,004,579

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2015 and 31 March 2014

m) Details of non-performing financial assets purchased / sold:

The Company has not purchased/sold any non-performing financial assets during the financial year ended 31 March 2015 and 31 March 2014

n) Disclosures under circular RBI / 2011-12/467/ DNBS. CC.PD.No.265/03.10.01/2011-12 dated 21 March 2012

Particulars	As at 31 March 2015	As at 31 March 2014
Total Gold loan portfolio	2,725,660,214	2,378,631,702
Total assets	22,343,287,441	17,889,956,243
Gold loan portfolio as a % of total assets	12.20%	13.30%

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.49 Disclosures related to sale/assignment of receivables and securitizations transactions in accordance with the RBI circular no. DBOD.NO.BP.BC.60/21.04.048/2005-06 dated 01 February 2006.

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Total number of loans securitized	359	-
Book value of loan securitized	516,101,553	-
Sale consideration	464,491,397	-
Gain on securitization (Net of expenses)	-	-
Outstanding credit enhancement /Minimum Retention Ratio	51,610,155	-
Outstanding liquidity facility	-	-
Net Outstanding Servicing Liability	-	-

2.50 As per Section 135 of the Companies Act 2013, the Company has formed Corporate Social Responsibility ('CSR') committee. The proposed CSR activities are Healthcare (via LEPRAsociety, a National NGO headquartered in Secunderabad) in Telengana which are specified in Schedule VII of the Companies Act, 2013.

Gross amount required to be spent by the Company during the year was Rs 6,512,776. The Company is yet to incur the said expenditure.

2.51 Provision and contingency

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Provision towards NPA	1,576,353	(1,775,848)
Provision made towards Income tax	212,435,733	193,103,339
Provision for Standard Assets	10,212,123	4,757,745
Other Provision and contingency -refer note 2.5 and 2.9		

2.52 Disclosure with respect to customer complaints

S.No.	Particulars	Number of complaint
(i)	No. of complaints pending at the beginning of the year	1
(ii)	No. of complaints received during the year	58
(iii)	No. of complaints redressed during the year	48
(iv)	No. of complaints pending at the end of the year	11

2.53 Sector wise Non-Performing Assets (NPA)

S. No.	Sector	Percentage of NPAs to total advances
1.	Agriculture & allied activities	0.00%
2.	MSME	0.00%
3.	Corporate borrowers	0.00%
4.	Services	0.02%
5.	Unsecured personal loans	0.00%
6.	Auto loans	0.00%
7.	Other loans	0.03%
	Total	0.05%

KARVY FINANCIAL SERVICES LIMITED
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

(All amounts in Indian rupees, except share data and where otherwise stated)

2.54 Movement in Non-Performing Asset (NPA)

Particulars		2014-15	2013-14
i)	Net NPA to net advances percentage	0.03%	0.14%
ii)	Movement of NPAs (Gross)		
	a) Opening balance	25,446,923	43,205,399
	b) Additions during the year	136,142,914	259,722,809
	c) Reduction during the year	151,195,388	277,481,285
	d) Closing balance	10,394,449	25,446,923
iii)	Movement of net NPAs		
	a) Opening balance	22,902,232	38,884,859
	b) Additions during the year	121,890,358	192,393,686
	c) Reduction during the year	138,519,185	208,376,313
	d) Closing balance	6,273,405	22,902,232
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	2,544,692	4,320,540
	b) Provisions made during the year	16,967,374	21,377,076
	c) Write off/ write back of excess provisions	15,391,021	23,152,924
	d) Closing balance	4,121,045	2,544,692

2.55 The Company has reviewed all its pending litigations including legal proceedings initiated in the ordinary course of business. The Company does not expect the outcome of these proceedings to have a material and adverse effect on its financial position and accordingly no adjustment in respect thereof is expected.

2.56 Loans and advances given to Companies in which director is interested

Particulars	Name of the Company	Amount as at 31 st March 2015
Loans given to all companies /firm in which director is interested	Pokarna Limited	48,310,075
	Pokarna Engineered Stone Limited	48,313,577
For loans and advances given to other such parties- refer note 2.36		

2.57 Previous year's figures

Previous year's figures have been regrouped /reclassified, where necessary to bring into in line with current year's classification.

 for **BSR & Associates LLP**
Chartered accountants

ICAI Firm's regn. no. 116231W/W-100024

Sd/-

Sriram Mahalingam
Partner

Membership No. 049642

 for **Lalith Prasad and Co**
Chartered accountant

Firm's registration no. 008089S

Sd/-

S. Lalith Prasad
Partner

Membership No. 023665

For and on behalf of the Board of Directors of

Karvy Financial Services Limited

Sd/-

Amit Saxena
CEO and Whole Time Director

DIN: 05248652

Sd/-

B.D. Narang
Director

DIN: 00038052

Sd/-

Abhishek Baxi
Chief Financial Officer

PAN: AFYPB3445H

Place : Hyderabad

Date: 30 June 2015

Sd/-

M. Yugandhar
Director

DIN: 00012265

Sd/-

V. Mahesh
Director

DIN:00800219

Sd/-

Meenal Talesara
Company Secretary

M.No.: A22658

Place : Hyderabad

Date: 30 June 2015

Place : Hyderabad

Date: 30 June 2015