



# **5 Paisa Capital Limited**

**Standalone Financial Statements**

**as on 31<sup>st</sup> March, 2017**

**(₹ in Millions)**

### **Independent Auditors' Report**

#### **To the Members of 5 Paisa capital limited (Formerly IIFL Capital Limited)**

#### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of 5 Paisa capital limited (Formerly IIFL Capital Limited) ("the Company"), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss, and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Standalone Financial Statements**

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

#### **Auditor's Responsibility**

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

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

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its loss and its cash flows for the year ended on that date.

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

1. As required by the Companies (Auditor's Report) Order, 2016 (the 'Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the "Annexure A"; a statement on the matters specified in paragraphs 3 and 4 of the 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 standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;



- (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- The Company does not have any pending litigations which would impact its financial position in its financial statements, refer note no. 28 to the financial statements;
  - The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
  - The Company has provided requisite disclosures in its standalone financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 26 to the standalone financial statements.

For Sharp and Tannan Associates  
Chartered Accountants  
Firm's Registration No.:109983W  
By the hand of



A handwritten signature in black ink, appearing to read "Tirtharaj Khot".

Tirtharaj Khot  
Partner

Membership No.: (F) 037457

Place: Mumbai  
Date: 2nd May, 2017

## **Annexure A to the Auditors' Report**

The Annexure referred to in Independent Auditor's report to the members of **5 Paisa capital limited (Formerly IIFL Capital Limited)** ("the Company") for the year ended 31st March 2017. We report that:

1. (a) The Company has maintained adequate records to show full particulars, including quantitative details and situation of the fixed assets.  
  
(b) As explained to us, these fixed assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.  
  
(c) The Company does not have any immovable property. Therefore, paragraph 3 (i) (c) of the order is not applicable to the Company.
2. The Company is a trading in equity, stock futures, currency futures, equity index, stock options and currency options on proprietary basis and the stock held at the yearend has been classified as inventory, such inventory is verified by the management during the year with reference to third party evidence like Demat statement. There were no discrepancies noticed during such verification.
3. The Company has granted loan to one company covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act').  
  
(a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the bodies corporate listed in the register maintained under Section 189 of the Act were not, prima facie, prejudicial to the interest of the Company.  
  
(b) In the case of the loans granted to the company listed in the register maintained under section 189 of the Act, the borrowers have been regular in the payment of the principal and interest as stipulated.  
  
(c) There are no overdue amounts in respect of the loan granted to a company listed in the register maintained under section 189 of the Act.
4. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable, Therefore, Paragraph 3 (iv) of the Order is not applicable to the Company.



5. The Company has not accepted any deposits during the year from the public to which the directives issued by Reserve Bank of India and the provisions of Section 73 to 76 and any other relevant provisions of the Act and the rules framed thereunder apply.
6. As per the information and explanations given to us, in respect of the class of industry the Company falls under, the maintenance of cost records has not been prescribed by the Central Government under section 148(1) of the Companies Act, 2013. Therefore, Paragraph 3 (vi) of the Order is not applicable to the Company.
7. (a) According to the Information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state Insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and any other material statutory dues as applicable to the Company, with the appropriate authorities. There were no material undisputed amounts payable in respect of provident fund, employees' state Insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and any other material statutory dues as applicable to the Company outstanding as at 31st March, 2017 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and records of the Company examined by us, there are no cases of non-deposit with the appropriate authorities of disputed dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax.
8. Based on our audit procedures and according to the information and explanations given to us, the Company has not borrowed from debentures holders or financial institution or bank or government during the year. Therefore, paragraph 3 (viii) of the Order is not applicable to the Company.
9. The Company did not raise any money by way of initial public offer or further public offer (including debt Instruments) and term loan during the period. Therefore, paragraph 3 (ix) of the Order is not applicable to the Company.
10. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India and according to the Information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.



11. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Therefore, paragraph 3 (xii) of the Order is not applicable to the Company.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations give to us and based on our examination of the records of the Company, during the year the Company has made allotment of Equity shares to its holding company, the amount raised were utilized for the purpose for which they were raised. The Company has not made any other preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Therefore, paragraph 3 (xv) of the Order is not applicable to the Company.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Sharp and Tannan Associates  
Chartered Accountants  
Firm's Registration No.:109983W  
By the hand of



A handwritten signature in black ink, appearing to read "Tirtharaj Khot".

Tirtharaj Khot  
Partner

Membership No.: (F) 037457

Place: Mumbai  
Date: 2nd May, 2017

## **Annexure - B to the Auditors' Report**

### **Independent Auditors' report to the members of 5 Paisa capital limited (Formerly IIFL Capital Limited) ("the Company") on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of the Company as of 31st March, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of Internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.





We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

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

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Sharp and Tannan Associates  
Chartered Accountants  
Firm's Registration No.: 109983W

By the hand of



A handwritten signature in black ink, appearing to read "Tirtharaj Khot".

Tirtharaj Khot  
Partner

Membership No.: (F) 037457

Place: Mumbai  
Date: 2nd May, 2017

**S PAISA CAPITAL LIMITED (Formerly IHL Capital Limited)**  
**Standalone Balance Sheet as at March 31, 2017**

₹ in Millions

Particulars	Note No	As at March 31, 2017	As at March 31, 2016
<b>I EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's funds</b>			
(a) Share Capital	3	177.17	50.50
(b) Reserve and Surplus	4	719.70	90.83
<b>Sub Total</b>		<b>896.87</b>	<b>121.33</b>
<b>(2) Non Current Liabilities</b>			
(a) Long-Term borrowings		-	-
(b) Deferred Tax liabilities (Net)		-	-
(c) Other Long-Term liabilities		-	-
(d) Long-Term Provisions	5	1.19	0.30
<b>Sub Total</b>		<b>1.19</b>	<b>0.30</b>
<b>(3) Current liabilities</b>			
(a) Short-Term Borrowings	6	-	23.10
(b) Trade Payables	7	-	-
(A) total outstanding dues of micro enterprises and small enterprises		-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		93.22	294.51
(c) Other Current Liabilities	8	4.73	3.45
(d) Short-Term Provisions	9	28.44	2.14
<b>Sub Total</b>		<b>126.39</b>	<b>323.20</b>
<b>TOTAL</b>		<b>1,024.45</b>	<b>444.83</b>
<b>II ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed Assets	10	-	-
(i) Tangible Assets		2.30	1.27
(ii) Intangible Assets		2.03	0.97
(iii) Capital work in progress		1.27	0.49
<b>Sub Total</b>		<b>5.60</b>	<b>2.73</b>
(b) Non-Current Investments		-	-
(c) Deferred Tax Assets (Net)	11	70.57	29.62
(d) Long-Term Loans & Advances	12	41.30	43.55
(e) Other Non-Current Assets		-	-
<b>Sub Total</b>		<b>111.27</b>	<b>67.17</b>
<b>(2) Current assets</b>			
(a) Current Investments		-	-
(b) Inventories	13	25.54	10.48
(c) Trade Receivables	14	53.29	290.93
(d) Cash and Bank Balances	15	811.23	128.30
(e) Short-Term Loans & Advances	16	15.85	3.31
(f) Other Current Assets	17	1.67	1.91
<b>Sub Total</b>		<b>907.58</b>	<b>374.93</b>
<b>TOTAL</b>		<b>1,024.45</b>	<b>444.83</b>
See accompanying notes forming a Part of Standalone Financial Statements	1-30		

As per our attached report of even date

For Sharp & Jansan Associates  
Chartered Accountants  
Firm's Registration No. 109983W  
By the hand of

*Anshu Khot*  
Partner  
Membership No. (F) 037457



For and on behalf of the Board of Directors

*Prakash Gagdani*  
Director  
(DIN - 07376258)

*Narendra Jain*  
Director  
(DIN - 01984467)

Place : Mumbai  
Dated : May 02, 2017



*Akhita Lakhota*  
Chief Financial Officer

*Jayesh Sharma*  
Company Secretary

**5 PAISA CAPITAL LIMITED (Formerly IIFL Capital Limited)**  
**Standalone Statement of Profit & Loss for the year ended March 31, 2017**

(₹ in Millions)

Particulars	Note No	For the Year ended March 31, 2017	For the Year ended March 31, 2016
<b>Income</b>			
Revenue From Operations	18	74.67	(12.18)
<b>Total Revenue</b>		<b>74.67</b>	<b>(12.18)</b>
<b>Expenditure</b>			
Employee Benefits Expense	19	77.66	71.63
Finance Cost	20	11.24	18.05
Other Expenses	21	134.43	25.01
Depreciation	22	2.70	0.12
<b>Total Expenditure</b>		<b>226.03</b>	<b>64.81</b>
<b>Profit Before Tax</b>		<b>(151.36)</b>	<b>(76.99)</b>
Deferred Tax Expenses		(46.55)	(23.51)
Short / (excess) provision of tax for earlier year		(0.36)	1.50
<b>Sub Total</b>		<b>(46.91)</b>	<b>(22.01)</b>
<b>Profit (Loss) For The Year</b>		<b>(104.45)</b>	<b>(54.98)</b>
Earnings Per Share (Face Value ₹10)	23		
Basic		(9.86)	(18.03)
Diluted		(9.86)	(18.03)
See accompanying notes forming a Part of Standalone Financial Statements	1-30		

As per our attached report of even date

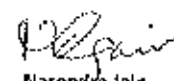
For Sharp & Tannan Associates  
Chartered Accountants  
Firm's Registration No. 109983W  
By the hand of

For and on behalf of the Board of Directors

  
Yirithara Jhot  
Partner  
Membership No. : (F) 037457



  
Prekash Gagdani  
Director  
(DIN :- 07376258)

  
Narendra Jain  
Director  
(DIN :- 01984467)

Place : Mumbai  
Dated : May 02, 2017



  
Ankita Lakhota  
Chief Financial Officer

  
Jayesh Sharma  
Company Secretary

**5 PAISA CAPITAL LIMITED (Formerly IIFL Capital Limited)**  
**Cash Flow Statement for the year ended March 31, 2017**

(₹ in Millions)

Particulars	For the year ended March 31, 2017		For the year ended March 31, 2016	
<b>Cash Flows From Operating Activities</b>				
Net profit before taxation and extraordinary item		(151.36)		(76.99)
<b>Adjustments for:</b>				
Net Loss/(Gain) on Sale of Current Investments	(22.58)		(0.17)	
Interest Income	(5.02)		(15.21)	
Gratuity	1.06		(0.29)	
Leave Encashment	0.48		0.11	
Interest Expenses	11.24	(14.82)	18.05	2.49
<b>Operating Profit before Working Capital Changes</b>		<b>(166.18)</b>		<b>(74.50)</b>
<b>Changes in Working Capital :</b>				
(Increase)/Decrease in Long Term Loan and Advances	2.46		(7.15)	
Increase/(Decrease) in Other Current Liabilities	1.28		(0.28)	
Decrease/(Increase) in Short Term Loans and Advances	(12.53)		(2.33)	
(Increase) / Decrease in Trade Inventories	(15.06)		(10.48)	
Decrease / (Increase) in other current assets	0.26		(0.64)	
Increase / (Decrease) in Short term Provision	24.75		(17.87)	
Increase / (Decrease) in Long term Provision	0.89			
Increase / (Decrease) in Short term & Long term Borrowings	(23.30)		(125.20)	
Decrease / (Increase) in Trade Receivable	177.64		(203.26)	
Increase / (Decrease) in Trade Payable	(201.29)	(44.72)	291.19	(71.02)
Cash generated from/(Used) operations		(210.90)		(145.52)
Net income tax (paid) / refunds		0.35		(1.51)
<b>Net cash from/(used in) operating activities (a)</b>		<b>(210.55)</b>		<b>(147.03)</b>
<b>Cash Flows From Investing Activities</b>				
Capital Gain on Investment		22.58		0.17
Interest received		5.02		15.21
Bank Balance not considered as Cash and Cash Equivalents		(5.00)		200.00
(Purchase) / Sale of fixed assets (Includes intangible assets) (net)		(2.87)		(2.73)
<b>Net cash from/(used in) investing activities (b)</b>		<b>19.73</b>		<b>212.65</b>
<b>Cash Flows From Financing Activities</b>				
Increase in share capital		879.99		
Interest Paid		(11.24)		(18.05)
<b>Net cash from/(used in) financing activities (c)</b>		<b>868.75</b>		<b>(18.05)</b>
<b>Net increase / (decrease) in cash and cash equivalents (a + b + c)</b>		<b>677.94</b>		<b>47.57</b>
Cash and Cash equivalents at beginning of year		78.30		30.73
Cash and Cash equivalents at end of year (Note 15)		756.23		78.30
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>677.93</b>		<b>47.57</b>
See accompanying notes Forming a Part of Standalone Financial Statements	1-30			


As per our attached report of even date


Sharp and Tannan Associates  
Chartered Accountants  
Firm's Registration No. 109983W  
By the hand of

For and on behalf of the Board of Directors

  
**Tirthara Khot**  
Partner  
Membership No. : (1) 037457

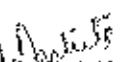


  
**Prakash Gagdani**  
Director  
(DIN : 07376258)

  
**Narendra Jain**  
Director  
(DIN : 01984467)

Place : Mumbai  
Dated : May 02, 2017



  
**Ankita Lakhotia**  
Chief Financial Officer

  
**Jayesh Sharma**  
Company Secretary

**Note: 1. Corporate Information:**

5Paisha Capital Ltd ["5PCL"] is a Wholly Owned Subsidiary of IIFL Holdings Ltd ["IIFLH"]. 5PCL is engaged in providing an online technology platform for trading in National Stock Exchange of India Ltd & BSE Ltd through web based trading terminal, mobile application and a state of the art Call and Trade Unit. 5PCL is also a SEBI approved Research analyst, a Depository Participant under CDSL and registered member of AMFI. 5PCL provides a wide range of financial services to its customers including depository services, distribution of mutual funds, bonds and debentures, Equity and Mutual fund research etc through its technology based platforms.

On Sept 30, 2016, the Board of Directors of 5paisha Capital Limited, have approved a draft Scheme of Arrangement under Section 391-394 of the Companies Act, 1956 with IIFL Holdings Limited ["IIFLH"] and their respective shareholders to demerge 5paisha digital undertaking of IIFLH into 5PCL. As per the proposed Scheme, the consideration for the proposed demerger is through issue and allotment of 1 equity share of ₹ 10/- each fully paid up of 5PCL for every 25 equity shares of IIFLH held by the shareholders of IIFLH. The appointed date for the proposed demerger Scheme is October 01, 2016. The Scheme would be effective upon receipt of all requisite regulatory approvals and filing of the certified copies of the final order of National Company Law Tribunal ("NCLT") with the Registrar of Companies. "No Objection" has been received from SEBI, BSE and NSE on the draft Scheme of Arrangement and the same has been filed with NCLT by 5PCL and IIFLH. Pending final approval of the proposed scheme, the financials of 5PCL is without considering the effect of the proposed demerger.

**Note: 2. Significant Accounting Policies:**

**2.1 Basis of accounting and preparation of financial statements:**

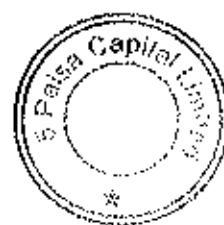
The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with all material aspects of the applicable Accounting Standards notified under section 133 of companies Act 2013 (Act) read with Rule 7 of the Companies Accounts Rules, 2014 (as amended) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year by the Company.

**2.2 Use of Estimates:**

The preparation of financial statements in conformity with the generally accepted accounting principles which requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

**2.3 Fixed Assets and Depreciation and Amortization:**

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any thereon. Depreciation is charged using the straight line method based on the useful life of fixed assets as estimated by the management as specified below. Depreciation is charged from the month in which new assets are put to use. No depreciation is charged for the month in which assets are sold. In the case of transfer of used fixed assets from group companies, depreciation is charged over the remaining useful life of the assets. Individual assets / group of similar assets costing up to ₹ 5,000 have been depreciated in full in the year of purchase. Lease hold land is depreciated on a straight line basis over the lease hold period.



**Estimated useful life of the assets is as under:**

Class of assets	Useful life in years
Buildings*	20
Computers*	3
Electrical equipment*	5
Office equipment	5
Furniture and fixtures *	5
Vehicles*	5
Software	3

\* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

**2.4 Translation of foreign currency items:**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Exchange difference, if any, arising out of transactions settled during the year are recognized in the statement of Profit and Loss. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing on the Balance Sheet date. The exchange gains or losses, if any, are recognized in the statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet.

**2.5 Revenue Recognition:**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

- (a) Brokerage income earned on secondary market operations are accounted on trade dates.
- (b) Income from arbitrage comprises profit/loss on sale of securities held as stock-in-trade and profit / loss on equity derivative instruments is accounted as follows:
  - (i) Profit / loss on sale of securities is determined based on the FIFO cost of the securities sold.
  - (ii) Profit / loss on arbitrage transactions is accounted for as explained below:

Initial and additional margin paid over and above initial margin for entering into contracts for Equity Index / Stock Futures / Currency Futures and or Equity Index / Stock Options / Currency Options which are released on final settlement/squaring-up of underlying contracts are disclosed under other current assets. "Mark-to-market margin- Equity Index / Stock Futures / Currency Futures" representing the amounts paid in respect of mark to market margin is disclosed under 'other current assets.'

"Equity Index / Stock Option / Currency Option Premium Account" represents premium paid or received for buying or selling the Options, respectively.

On final settlement or squaring up of contracts for Equity Index / Stock Futures / Currency Future, the realized profit or loss after adjusting the unrealized loss already accounted, if any, is recognized in the Statement of Profit and Loss. On settlement or squaring up of Equity Index / Stock Options / Currency Option before expiry, the premium prevailing in "Equity Index / Stock Option / Currency Option Premium Account" on that date is recognized in the Statement of Profit and Loss.

As at the Balance Sheet date, the Mark to Market / Unrealised Profit / (Loss) on all outstanding Arbitrage portfolio comprising of Securities and Equity/Currency Derivatives positions is determined on scrip basis (e.g. Nifty, SBI, HDFC etc.) with net unrealized losses on scrip basis being recognized in the Statement of Profit and Loss and the net unrealized gains on scrip basis are ignored.



**2.6 Other Income Recognition:**

- (a) Interest income is recognized on accrual basis.
- (b) Dividend income is recognized when the right to receive payment is established.

**2.7 Employee Benefits:**

The company's contribution towards Provident Fund and Family Pension Fund, which are defined contribution, are accounted for on an accrual basis and recognised in the Statement of Profit & loss. The Company has provided "Compensated Absences" on the basis of actuarial valuation.

Gratuity is post employment benefit and is in the nature of defined benefit plan. The Liability recognized in the Balance Sheet in respect of gratuity is the present value of defined benefit obligation at the Balance Sheet date together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the Balance Sheet date by an independent actuary using the projected unit credit method.

**2.8 Provisions, Contingent Liabilities and Contingent Assets:**

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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

Contingent Assets are neither recognized nor disclosed in the financial statements.

**2.9 Preliminary Expenses**

Preliminary Expenses is written off in same financial year in which they are incurred.

**2.10 Taxes on Income:**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Provision for current tax is computed based on estimated tax liability computed after adjusting for allowance, disallowance and exemptions in accordance with the applicable tax laws.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years.

Deferred tax is measured using the tax rate and the tax laws enacted or substantively enacted at the Balance Sheet date. The deferred tax asset is recognised or unrecognised, to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available. At each reporting date, the Company re-assesses unrecognized deferred tax assets. Deferred tax liability is recognised as and when arisen.

**2.11 Operating Leases:**

Lease rentals in respect of operating lease arrangements are charged to the Statement of Profit & Loss in accordance with Accounting Standard 19 – Leases, issued by the Institute of Chartered Accountants of India.



**2.12 Investments:**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non – current investments. Current investments are stated at lower of cost or fair value. Non – current investments are carried at cost. Provision for diminution in value of non – current investments is made, if in the opinion of the management such diminution is other than temporary. For investment in mutual funds, the net assets value (NAV) declared by the mutual funds at the Balance Sheet date is considered as the fair value.

**2.13 Inventories:**

Closing stock is valued at cost or market value whichever is lower. Cost is computed on FIFO basis. The comparison of cost and market value for arbitrage portfolio is done separately for each script.

**2.14 Earnings Per Share:**

Basic earnings per share for equity shareholders have been calculated by dividing the Net Profit after Tax or loss by the weighted average number of equity shares outstanding during the period.

The diluted earnings per share for equity shareholders have been computed by dividing the Net Profit after Tax or loss by the weighted average number of shares after giving dilutive effect of all potential equity shares.

**Note: 3. Issued, Subscribed and Paid-up share capital:**

a) The Authorized, Issued, Subscribed and fully paid up share capital comprises equity shares as follows:

(₹ in Millions)

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Authorized :</b>		
18,000,000 (PY - 10,000,000) Equity Shares of ₹10 each	180.00	100.00
<b>Issued , Subscribed and Paid Up :</b>		
17,716,500 ( PY - 3,050,000) Equity Shares of ₹10 each fully paid – up	177.17	30.50
<b>Total</b>	<b>177.17</b>	<b>30.50</b>

**b) Reconciliation of the shares outstanding**

Particulars	As at March 31, 2017		As at March 31, 2016	
	No. of Shares	₹ in Millions	No. of Shares	₹ in Millions
At the Beginning of the Year	3,050,000	30.50	3,050,000	30.50
Add:- Issued during the Year	14,666,500	146.67	-	-
<b>Outstanding at the end of the year</b>	<b>17,716,500</b>	<b>177.17</b>	<b>3,050,000</b>	<b>30.50</b>

**c) Terms/rights attached to equity shares**

The company has only one class of shares referred to as equity shares having a par value of ₹ 10/- each. Each holder of equity shares is entitled to one vote per share. IIFL Holdings Ltd (Formerly known as India Infoline Limited), the holding company holds 100% (Previous year 100%) of paid up share capital.

**d) Equity Shares held by Holding company / Ultimate holding company and their subsidiaries**

Particulars	March 31, 2017		March 31, 2016	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
<b>Equity shares of ₹ 10 each fully paid</b>				
IIFL Holdings Limited - The Holding Company	17,716,500	100%	3,050,000	100%





## e) Detail of shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2017		As at March 31, 2016	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Equity shares of ₹ 10 each fully paid				
IIFL Holdings Limited - The Holding Company	17,716,500	100%	3,050,000	100%

## Note: 4. Reserves and Surplus:

Particulars	(₹ in Millions)	
	As at March 31, 2017	As at March 31, 2016
<b>Securities premium account</b>		
Opening balance	90.00	90.00
Addition during the year	733.32	-
<b>Closing Balance</b>	<b>823.32</b>	<b>90.00</b>
<b>Profit and Loss Account</b>		
Opening balance	0.83	55.81
Addition during the year	(104.45)	(54.98)
<b>Closing Balance</b>	<b>(103.62)</b>	<b>0.83</b>
<b>Total</b>	<b>719.70</b>	<b>90.83</b>

## Note: 5. Long Term Provision:

Particulars	(₹ in Millions)	
	As at March 31, 2017	As at March 31, 2016
(i) Provision for Gratuity	0.79	0.25
(ii) Provision for Leave Encashment	0.40	0.05
<b>Total</b>	<b>1.19</b>	<b>0.30</b>

## Note: 6. Short Term Borrowings:

Particulars	(₹ in Millions)	
	As at March 31, 2017	As at March 31, 2016
Unsecured Loans & Advances from Related Parties Repayable on Demand	-	23.10
<b>Total</b>	<b>-</b>	<b>23.10</b>

## Note: 7. Trade Payable:

Particulars	(₹ in Millions)	
	As at March 31, 2017	As at March 31, 2016
-Outstanding dues of micro & small enterprises*	-	-
-Outstanding dues of creditors other than micro & small enterprises	93.22	294.51
<b>Total</b>	<b>93.22</b>	<b>294.51</b>

\*No interest has been paid/is payable by company during the year to "Suppliers" referred under the Micro, Small & Medium Enterprises Development Act, 2006. The aforementioned is based on the response received by the Company to its inquiries with suppliers with regards to applicability under the said act.



**Note: 8. Other Current Liabilities:**

(₹ in Millions)		
Particulars	As at March 31, 2017	As at March 31, 2016
(i) Statutory remittances	4.40	0.96
(ii) Contractually reimbursable expenses	(0.01)	0.01
(iii) Accrued Salaries & Benefits	0.29	2.45
(iv) Other payables	0.05	0.03
<b>Total</b>	<b>4.73</b>	<b>3.45</b>

**Note: 9. Short Term Provisions:**

(₹ in Millions)		
Particulars	As at March 31, 2017	As at March 31, 2016
Provision for Expenses	26.79	1.59
Bonus Payable	0.75	0.15
Provision for Leave encashment	0.18	0.02
Provision for Gratuity	0.72	0.03
Provision for Taxation @ (Net of Advance Tax of ₹ 17.94 Million, PY ₹ 26.96 Million)	0.00	0.35
<b>Total</b>	<b>28.44</b>	<b>2.14</b>

@ Amount is Less than ₹ 0.01 million, hence shown ₹ 0.00 million

**Note :10 Fixed Assets****Tangible Assets**

(₹ in Millions)					
Particulars	Computers	Electrical Equipments	Furniture & Fixtures	Office Equipments	Total
<b>Cost or Valuation</b>					
At April 1, 2016	1.00	-	-	0.36	1.36
Addition	0.47	0.32	1.84	0.46	3.09
Deductions/Adjustments during the year	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>1.47</b>	<b>0.32</b>	<b>1.84</b>	<b>0.82</b>	<b>4.45</b>
<b>Depreciation</b>					
At April 1, 2016	0.06	-	-	0.03	0.09
Depreciation for the year	0.41	0.25	1.01	0.39	2.06
Deductions/Adjustments during the year	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>0.47</b>	<b>0.25</b>	<b>1.01</b>	<b>0.42</b>	<b>2.15</b>
<b>Net Block</b>					
At March 31, 2017	1.00	0.07	0.83	0.40	2.30
At March 31, 2016	0.93	-	-	0.34	1.27

Capital work in progress ₹ 1.27 Million (Previous year ₹ 0.49 Million) pertains to assets not yet capitalized.

**Intangible Assets**

Particulars	Software	Total
<b>Cost or Valuation</b>		
At April 1, 2016	1.00	1.00
Addition	1.69	1.69
Deductions/Adjustments during the year	-	-



As at March 31, 2017	2.69	2.69
<b>Depreciation</b>		
At April 1, 2016	0.03	0.03
Depreciation For the year	0.64	0.64
Deductions/Adjustments during the year	-	-
<b>Up to March 31, 2017</b>	<b>0.67</b>	<b>0.67</b>
<b>Net Block</b>		
At March 31, 2017	2.03	2.03
At March 31, 2016	0.97	0.97

**Note: 11. Deferred Tax Assets:**

Particulars	(₹ in Millions)	
	As at March 31, 2017	As at March 31, 2016
Depreciation	0.01	(0.16)
Deferred Tax Asset for Gratuity	0.41	0.08
Short term/Long Term Capital losses/ Business Loss	69.75	23.70
<b>Total</b>	<b>70.17</b>	<b>23.62</b>

**Note: 12. Long Term Loans & Advances:**

Particulars	(₹ in Millions)	
	As at March 31, 2017	As at March 31, 2016
<b>Unsecured, Considered Good :</b>		
<b>Deposit with Exchange / Clearing Corporation</b>		
DEPOSIT - BSE	0.90	0.90
DEPOSIT - BSE CASH ADD BASE CAPITAL	6.50	5.00
DEPOSIT - BSE CASH BASE CAPITAL	3.50	3.50
DEPOSIT - BSE F&O ADD BASE CAPITAL	1.00	6.00
DEPOSIT - NSCCL-CM - CASH	2.50	2.50
DEPOSIT - NSCCL-CM - IFSD	1.50	1.33
DEPOSIT - NSCCL-CURRENCY DERIVATIVE - CASH	2.50	2.50
DEPOSIT - NSCCL-CURRENCY DERIVATIVE - IFSD	2.50	2.30
DEPOSIT - NSCCL-F&O - CASH	2.50	2.50
DEPOSIT - NSCCL-F&O - IFSD	2.50	2.50
DEPOSIT - NSE CASH ADD BASE CAPITAL	0.01	-
DEPOSIT - NSEIL-CM- INTEREST FREE SECURITY DEPOSIT	8.50	8.50
DEPOSIT - NSEIL-IFSD- CURRENCY DERIVATIVE SEGMENT	2.00	2.00
DEPOSIT - NSEIL-IFSD- FUTURE AND OPTIONS SEGMENT	2.50	2.50
<b>Total</b>	<b>38.91</b>	<b>42.03</b>
Advance Income Tax & Tax Deducted at Source ( Net of Provision CY -NIL, PY- NIL)	2.19	1.52
<b>Total</b>	<b>41.10</b>	<b>43.55</b>



## Note: 13. Inventories - (At lower of cost or net realisable value):

Script Name	As at March 31, 2017			As at March 31, 2016		
	Strike Price in ₹	Number	₹ in Million	Strike Price in ₹	Number	₹ in Million
<b>Exchange Traded Fund</b>						
EQ-SBISENSEX	301	5,497	1.65	247.48	2177	0.54
EQ-SETFBANK EQ	211	14,564	3.07	155.01	7360	1.14
EQ-SETFSE100	88	32,380	2.85	78.70	12246	0.96
EQ-SETFNIFR EQ	245	5,029	1.23	186.19	2133	0.40
EQ-SETFNIFTY EQ	93	62,332	5.77	75.66	11225	0.85
EQ-UTINIFYETF	882	10,908	9.62	755.08	5234	3.95
EQ-UTISENSEXETF	294	4,604	1.35	237.23	11118	2.64
<b>TOTAL</b>			<b>25.54</b>			<b>10.48</b>
<b>Aggregate Market Value-Stock</b>			<b>26.66</b>			<b>10.97</b>

## Note: 14. Trade Receivables:

Particulars	As at March 31, 2017	As at March 31, 2016
Unsecured Considered good	53.29	230.93
<b>Total</b>	<b>53.29</b>	<b>230.93</b>

## Note: 15. Cash and Bank Balances:

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Cash &amp; Cash Equivalents:</b>		
<b>Balances with banks:</b>		
In current accounts		
Client bank accounts #	124.26	54.84
Others Bank accounts #	631.97	23.46
<b>Total Cash &amp; Cash Equivalent (a)</b>	<b>756.23</b>	<b>78.30</b>
<b>Other Balances</b>		
In Deposit account (Maturity From 3 months to 12 months)*	55.00	50.00
<b>Total Other Balances (b)</b>	<b>55.00</b>	<b>50.00</b>
<b>Total (a + b)</b>	<b>811.23</b>	<b>128.30</b>

\*Includes fixed deposits to the extent of ₹ 55 Million (previous year ₹ 50 Million) pledged with banks for Bank Guarantees and with the stock exchanges for Margin / Capital purpose.

# Includes Cheque on hand ₹ 9.19 Million (Previous year ₹ 0.44 Million)

## Note: 16. Short term Loan and Advances:

Particulars	As at March 31, 2017	As at March 31, 2016
<b>Unsecured, Considered Good:</b>		
Advances recoverable in cash or in kind or for value to be received	1.97	0.06
<b>Balance with Government authorities</b>		
Service Tax Credit Receivable	13.88	3.25
<b>Total</b>	<b>15.85</b>	<b>3.31</b>





\* The Company is recognising and accruing the employee benefit as per accounting standard (AS) – 15 on "Employee Benefits" the disclosures of which are as under.

(₹ in Millions)		
Assumptions	For the year ended up to March 31, 2017	For the year ended up to March 31, 2016
Discount rate previous year	7.72%	7.89%
Salary Escalation previous year	5.00%	5.00%
Discount rate current year	6.77%	7.72%
Salary Escalation Current year	5.00%	5.00%
<b>Change in Benefit Obligation</b>		
Liability at the beginning of the year	0.27	0.33
Interest Cost	0.02	0.02
Current Service Cost	0.11	0.11
Benefit paid	(0.04)	-
Actuarial (gain)/ Loss on obligations	0.97	(0.42)
Liability Transferred in/(out)	0.17	0.23
<b>Liability at the end of the year</b>	<b>1.50</b>	<b>0.27</b>
<b>Amount Recognized in the Balance Sheet</b>		
Liability at the end of the year	(1.50)	(0.27)
Fair value of plan Assets at the end of the year	-	-
Differences	(1.50)	(0.27)
<b>Amount of liability Recognized in the Balance Sheet</b>	<b>(1.50)</b>	<b>(0.27)</b>
<b>Expenses Recognized in the Income statement</b>		
Current Service cost	0.11	0.11
Interest Cost	0.02	0.02
Expected return on plan assets	-	-
Actuarial Gain or Loss	0.97	(0.42)
<b>Expense Recognized in P&amp;L</b>	<b>1.10</b>	<b>(0.29)</b>
<b>Balance Sheet reconciliation</b>		
Opening Net liability	0.27	0.33
Expense as above	1.10	(0.29)
Net Transfer in	0.17	0.23
Benefit paid	(0.04)	-
<b>Amount Recognized in Balance Sheet</b>	<b>1.50</b>	<b>0.27</b>

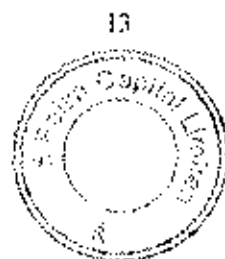
#### # Defined Contribution Plans:

The Company has also recognised the following amounts as an expense.

(₹ in Millions)		
Particulars	For the year ended up to March 31, 2017	For the year ended up to March 31, 2016
Contribution to provident fund and EPS	2.57	0.30

#### Note: 20. Finance Costs:

(₹ in Millions)		
Particulars	For the year ended up to March 31, 2017	For the year ended up to March 31, 2016
Interest Expenses	11.24	18.05
<b>Total</b>	<b>11.24</b>	<b>18.05</b>



## Note: 21. Other expenses:

Particulars	(₹ in Millions)	
	For the year ended up to March 31, 2017	For the year ended up to March 31, 2016
Advertisement	66.53	0.17
Books & Periodicals @	0.00	0.00
Exchange and statutory Charges	0.15	0.25
Brokerage related expenses	1.38	4.05
Marketing & Commission Expenses	2.21	0.29
Bank Charges	1.38	4.32
Communication	2.33	1.40
Electricity	5.43	0.37
Legal and professional charges	11.99	3.24
Miscellaneous Expenses	0.11	0.02
Office expenses	3.90	0.93
Meeting Seminar & Subscription	0.96	0.22
Postage and courier	0.30	0.01
Printing and stationery	0.24	0.02
Provision for bad and doubtful debts @	0.00	(0.01)
Rent	13.69	3.06
Insurance	0.08	0.32
Rates & Taxes	1.89	0.22
<b>Repairs &amp; Maintenance</b>		
Computer	0.32	0.03
Others	0.46	0.02
Remuneration to Auditors :		
As auditors -Statutory Audit	0.01	0.01
Certification Work & other matters	0.02	0.01
Software Charges	17.48	3.47
Travelling and conveyance	3.57	2.59
<b>TOTAL</b>	<b>134.43</b>	<b>25.01</b>

@ Amount is less than ₹ 0.01 million, hence shown ₹ 0.00 million

## Note: 22. Depreciation

Particulars	(₹ in Millions)	
	For the year ended up to March 31, 2017	For the year ended up to March 31, 2016
Depreciation- Tangible	2.06	0.09
Depreciation – Intangible	0.64	0.03
<b>Total</b>	<b>2.70</b>	<b>0.12</b>

## Note: 23. Earnings per Share (EPS):

Particulars	For the year ended up to March 31, 2017	For the year ended up to March 31, 2016
Net Profit/(Loss) after tax for the Year (₹ In Millions)	(104.45)	(54.98)
Weighted Average No. of Shares	10,595,103	3,050,000
Basic EPS (in Rs)	(9.86)	(18.03)
Diluted EPS (in Rs)	(9.86)	(18.03)



**Note: 24.**

The Company Operates from and uses the premises, infrastructure and other facilities and services as provided to it by its holding company / subsidiaries / group companies which are termed as 'Shared Services'. Hitherto, such shared services consisting of administrative and other revenue expenses paid for by the company were identified and recovered from them based on reasonable management estimates, which are constantly refined in the light of additional knowledge gained relevant to such estimation. These expenses are recovered on an actual basis and the estimates are used only where actual were difficult to determine.

**Note: 25.**

**A) Disclosures in respect of applicability of AS – 18 Related Party Disclosures:**

Nature of relationship	Name of party
Holding Company	IIFL Holdings Limited
Fellow Subsidiaries	India Infoline Commodities Limited India Infoline Media & Research Services Limited India Infoline Limited India Infoline Finance Limited India Infoline Insurance Services Limited India Infoline Insurance Brokers Limited IIFL Wealth Management Limited IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited ) IIFL Wealth (UK) Limited IIFL Capital Inc India Infoline Foundation
Group Companies	India Infoline Housing Finance Limited Samasta Microfinance Limited (w.e.f. 01 <sup>st</sup> Mar 2017) Ayusha Dairy Private Limited (w.e.f. 01 <sup>st</sup> Mar 2017)IIFL Capital Pte. Ltd IIFL Securities Pte. Limited IIFL Asset Management limited (Formerly India Infoline Asset Management Company Limited) IIFL Alternate Asset Advisors Limited IIFL Assets Reconstruction Limited IIFL Wealth Finance Limited (Formerly Chephis Capital Markets Limited) IIFL Trustee Limited (Formerly India Infoline Trustee Company Limited) IIFL Distribution Services Limited IIFL Investment Advisers & Trustee Services Limited India Alternatives Investment Advisors Private Limited - ceased w.e.f 30 <sup>th</sup> March 2017 IIFL Asset Management (Mauritius) Limited (Formerly IIFL Private Wealth (Mauritius) Ltd. IIFL Asia Pte Limited IIFL Private Wealth Hong Kong Limited IIFL Capital (Canada) Limited (w.e.f 14 <sup>th</sup> Nov 2016) IIFL Private Wealth Management (Dubai) Limited IIFL Inc. IIFL Private Wealth (Suisse) SA.
Other related parties:	
Key Managerial Personnel	Mr. Prakarsh Gagdani. (w.e.f 22/12/2015) Mr. Vishal Rana.(up to 22/12/2015)





**SPaisa Capital Limited (Formerly IIFL Capital Limited)**
**Notes forming part of Standalone Financial Statements for the Year ended March 31, 2017**

Others	Mr. R Venkataraman
	Mr. Nirmal Jain
	Orpheus Trading Pvt. Limited
	Ardent Impex Pvt. Limited

**B) Significant Transaction with Related Parties**

(₹ in Millions)

Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial Person	Total
<b>Advance Taken (Max)</b>					
India Infoline Limited	-	-	-	-	-
	(-)	(200.50)	(-)	(-)	(200.50)
<b>Advance Taken Return Back (Max)</b>					
India Infoline Limited	-	-	-	-	-
	(-)	(52.20)	(-)	(-)	(52.20)
<b>ICD Received</b>					
India Infoline Finance Limited	-	9.50	-	-	9.50
	(-)	(543.00)	(-)	(-)	(543.00)
IIFL Holdings Limited	13.40	-	-	-	13.40
	(190.60)	(-)	(-)	(-)	(190.60)
IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	-	8,400.00	-	-	8,400.00
	(-)	(182.30)	(-)	(-)	(182.30)
India Infoline Insurance Brokers Limited	-	-	-	-	-
	(-)	(17.50)	(-)	(-)	(17.50)
IIFL Wealth Finance Ltd	-	850.00	-	-	850.00
	(-)	(-)	(-)	(-)	(-)
India Infoline Media & Research Services Limited	-	-	-	-	-
	(-)	(5.00)	(-)	(-)	(5.00)
<b>ICD Received (Return)</b>					
India Infoline Finance Limited	-	9.50	-	-	9.50
	(-)	(543.00)	(-)	(-)	(543.00)
IIFL Holdings Limited	36.50	-	-	-	36.50
	(167.50)	(-)	(-)	(-)	(167.50)
IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	-	8400.00	-	-	8400.00
	(-)	(182.30)	(-)	(-)	(182.30)
India Infoline Insurance Brokers Limited	-	-	-	-	-
	(-)	(17.50)	(-)	(-)	(17.50)
India Infoline Media & Research Services Limited	-	-	-	-	-
	(-)	(5.00)	(-)	(-)	(5.00)
IIFL Wealth Finance Ltd	-	850.00	-	-	850.00



5Paisa Capital Limited (Formerly IIFL Capital Limited)

Notes forming part of Standalone Financial Statements for the Year ended March 31, 2017

Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial Person	Total
	(-)	(-)	(-)	(-)	(-)
<b>ICD Given</b>					
IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	- (-)	- (55.60)	- (-)	- (-)	- (55.60)
India Infoline Insurance Brokers Limited	- (-)	84.00 (-)	- (-)	- (-)	84.00 (-)
<b>ICD Given (Received Back)</b>					
IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	- (-)	- (55.60)	- (-)	- (-)	- (55.60)
India Infoline Insurance Brokers Limited	- (-)	84.00 (-)	- (-)	- (-)	84.00 (-)
<b>Interest Expenses (ICD)</b>					
India Infoline Limited	- (-)	- (9.47)	- (-)	- (-)	- (9.47)
India Infoline Finance Limited @	- (-)	0.00 (3.32)	- (-)	- (-)	0.00 (3.32)
IIFL Holdings Limited	1.00 (3.54)	- (-)	- (-)	- (-)	1.00 (3.54)
IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	- (-)	9.43 (0.65)	- (-)	- (-)	9.43 (0.65)
India Infoline Insurance Brokers Limited	- (-)	- (0.01)	- (-)	- (-)	- (0.01)
India Infoline Media & Research Services Limited @	- (-)	- (0.00)	- (-)	- (-)	- (0.00)
IIFL Wealth Finance Ltd	- (-)	0.80 (-)	- (-)	- (-)	0.80 (-)
<b>Allocation / Reimbursement of Expenses Paid</b>					
India Infoline Ltd	- (-)	15.85 (4.73)	- (-)	- (-)	15.85 (4.73)
IIFL Real Estate Limited* (formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	- (-)	4.64 (-)	- (-)	- (-)	4.64 (-)
India Infoline Finance Limited	- (-)	0.02 (-)	- (-)	- (-)	0.02 (-)
<b>Allocation / Reimbursement of Expenses Received</b>					
India Infoline Ltd	-	7.80	-	-	7.80



5Paiza Capital Limited (Formerly IIFL Capital Limited)

Notes forming part of Standalone Financial Statements for the Year ended March 31, 2017

Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial Person	Total
	(-)	(0.12)	(-)	(-)	(0.12)
India Infoline Media & Research Services Limited	-	-	-	-	-
	(-)	(0.06)	(-)	(-)	(0.06)
IIFL Wealth Management Limited	-	0.05	-	-	0.05
	(-)	(-)	(-)	(-)	(-)
<b>Rent Expense</b>					
IIFL Real Estate Limited*	-	13.62	-	-	13.62
(formerly known as IIFL Facilities Services Limited and IIFL Realty Limited)	(-)	(3.03)	(-)	(-)	(3.03)
<b>Remuneration</b>					
Prakarsh Gagdani (w.e.f 22/12/2015)	-	-	-	5.29	5.29
	(-)	(-)	-	(0.96)	(0.96)
Vishal Rana (up to 22/12/2015)	-	-	-	-	-
	(-)	(-)	(-)	(5.33)	(5.33)
<b>Others Paid</b>					
India Infoline Ltd	-	0.02	-	-	0.02
	(-)	(1.10)	(-)	(-)	(1.10)
India Infoline Finance Limited @	-	0.01	-	-	0.01
	(-)	(0.06)	(-)	(-)	(0.06)
<b>Others Received</b>					
India Infoline Ltd	-	8.83	-	-	8.83
	(-)	(0.18)	(-)	(-)	(0.18)
<b>Service Income</b>					
India Infoline Ltd	-	0.54	-	-	0.54
	(-)	(-)	(-)	(-)	(-)
India Infoline Insurance Brokers Limited	-	0.74	-	-	0.74
	(-)	(-)	(-)	(-)	(-)

@ Amount is Less than ₹ 0.01 million, hence shown ₹ 0.00 million

**C. Closing Balance**

(₹ in Millions)					
Nature of Transaction	Holding Company	Fellow Subsidiaries	Group Companies	Key Managerial Person	Total
<b>Sundry Payable</b>					
IIFL Holdings Limited	-	-	-	-	-
	(23.10)	(-)	(-)	(-)	(23.10)

\*The NCLT vide its order dated March 30, 2017 has approved and sanctioned the Scheme of Amalgamation of IIFL Properties Private Limited with IIFL Real Estate Limited w.e.f. April 01, 2015. Thus, all the related party transactions with IIFL Properties Private Limited, for the current year and the previous year, have been shown under IIFL Real Estate Limited.

Note: Figures in bracket represent previous year's figure.



**Note: 26. Disclosure on Specified Bank Notes (SBNs)**

During the year, the Company had no specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated March 31, 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December, 30 2016, the denomination wise SBNs and other notes as per the notification is given below:

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	NIL	NIL	NIL
(+) Permitted receipts	NIL	NIL	NIL
(-) Permitted payments	NIL	NIL	NIL
(-) Amount deposited in Banks	NIL	NIL	NIL
Closing cash in hand as on 30.12.2016	NIL	NIL	NIL

**Note: 27. Segment Reporting:**

In the opinion of the management, there is only one reportable business segment as envisaged by AS 17 'Segment Reporting', issued by the Institute of Chartered Accountants of India. Accordingly, no separate disclosure for segment reporting is required to be made in the financial statements of the Company.

**Note: 28.** There is no pending litigation by and on the Company as on the balance sheet date.


**Note: 29. Capital and Other Commitments at Balance Sheet date**

There are outstanding commitments to the tune of ₹4.11 Mn (net of advances) of the total contractual obligations entered by the company.

**Note: 30.** Previous year figures have been re-grouped, re-classified & rearranged, wherever considered necessary to confirm to current year's presentation


As per our attached report of even date


**For Sharp & Tannan Associates**  
Chartered Accountants  
Firm's Registration No.109983W  
By the hand of

  
**Tirtharaj Khot**  
Partner  
Membership No.: (F) 037457



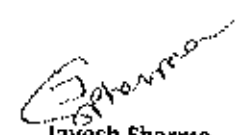
**For and on behalf of the Board of Directors**

  
**Prakash Gagani**  
Director  
(DIN :- 07376258)

  
**Narendra Jain**  
Director  
(DIN :- 01984467)



  
**Ananta Lakhota**  
Chief Financial Officer

  
**Jayesh Sharma**  
Company Secretary

Place: Mumbai  
Dated: May 02, 2017



## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Tenth Annual Report of your company together with the Audited Financial Statements for the year ended March 31, 2017.

### 1. Financial Results:

A summary of the financial performance of the Company, for the financial year ended March 31, 2017, is as under:

(Rs. in Millions)		
Particulars	2016-17	2015-16
Gross total income	74.67	(12.18)
Profit before interest, depreciation and taxation	(137.41)	(58.82)
Interest and financial charges	11.24	18.05
Depreciation	2.70	0.12
Profit before tax	(151.35)	(76.98)
Taxation – Current	-	-
- Deferred	(46.55)	(23.51)
- Short or excess provision for income tax	(0.35)	1.51
Net profit for the year	(104.45)	(54.98)
Balance to be carried forward	(104.45)	(54.98)

### 2. Review of Operations and Business:

Your Company is engaged into financial products distribution and providing an online technology platform through internet terminals and mobile apps for trading of securities in National Stock Exchange of India Limited & BSE Limited. The digital way of doing trading in securities is emerging as a new segment with potential to achieve critical mass and grow exponentially in near future with the spread of internet and mobile penetration as also 3G/4G telecommunication and data services throughout the Country. This is the new emerging DIY (Do-it-yourself) customer segment that prefers least cost for various financial products. This segment operates with cutting edge technology with minimal physical infrastructure and manpower. This not only enhance business focus but also enable investors to invest seamlessly from anywhere on their own. During the year, 90% of the Company's revenue came through the mobile app based/online trading.

Your Company is a Depository Participant of CDSL, registered with AMFI, and provides a wider basket of financial services including distribution of mutual funds, bonds and debentures etc.

IIFL Holdings Limited ("IHL"), the holding Company has all along been nurturing and supporting Spaisha right from inception. IHL till date has infused about Rs 100 Crores towards the equity share capital of the Company.

Spaisha Capital Limited (Formerly "IIFL Capital Limited")

Corporate Identity Number: U67190MH2007PLC289249

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IHL has also over a period of time conceptualized in and has invested in setting-up of 5Paisa Digital Business which includes development/ maintenance of technology application for online trading through trading terminal and mobile application, source code of mobile application, domain name (5Paisa.com), software rights, brand i.e. 5Paisa establishment, protection and support, Infrastructure and facilities services etc and also owns the trademark named as 5paisa.com ("5paisa digital Undertaking"). The Board of Directors of your Company at their meeting held on September 30, 2016 considered and approved the proposed demerger of '5Paisa Digital Undertaking' from IHL into 5Paisa Capital Limited. Pursuant to the Scheme become effective IHL will transfer the 5paisa digital Undertaking to 5paisa Capital Limited.

During the year FY16-17, the total income of your Company was up from of Rs. (12.18) Mn to Rs.74.67 Mn. The increase in income is on the back of aggressive expansion of retail Operations. The Company acquired more than 10,000 Customers on the back of value added and unparalleled product offering which helped in growth on Q-Q. Your company also invested heavily in Online Marketing, Branding and IT as a result expenses increased from Rs. 46.75 Mn to Rs. 213.05 Mn. This year also saw our New Mobile App crossing 1,00,000+ on Playstore with a very good rating of 4.2.

Our initiative in Robo Advisory, an automated Mutual Fund advisory platform got a very good response. 30% of the Mutual Fund Transactions are now happening through our Robo advisory platform. On overall basis all our businesses have got very good response and has shown exponential growth. Your company is also enabled with Research Analyst registration with SEBI during the year.

### **3. Macro-economic Overview:**

For the first time in many years, we believe our perseverance to do well against all odds will be nicely complemented by strong macro-economic indicators – a strong currency, a resilient domestic economy, interest rates at record lows, rising wealth and a buoyant capital market. Further, inflation, fiscal deficit, and current account deficit have improved significantly. The consumer price inflation index and current account deficit are at multi-years low, and government is prudently managing the fiscal deficit.

India continues to be a bright spot amid global uncertainty and received US\$ 46.4 billion of Foreign Direct Investment during the calendar year 2016, 18% higher compared with the 2015 figures. According the World Bank estimates, India's GDP will grow at 7.2% in the next financial year.

### **4. Industry Overview:**

The year under review, FY16-17, was marked by two halves. The first half saw economy picking up steam but was hit by demonetization speed breaker on November 8, 2016, which created a shock wave across the world as never before had any country announced replacing 86% of its currency

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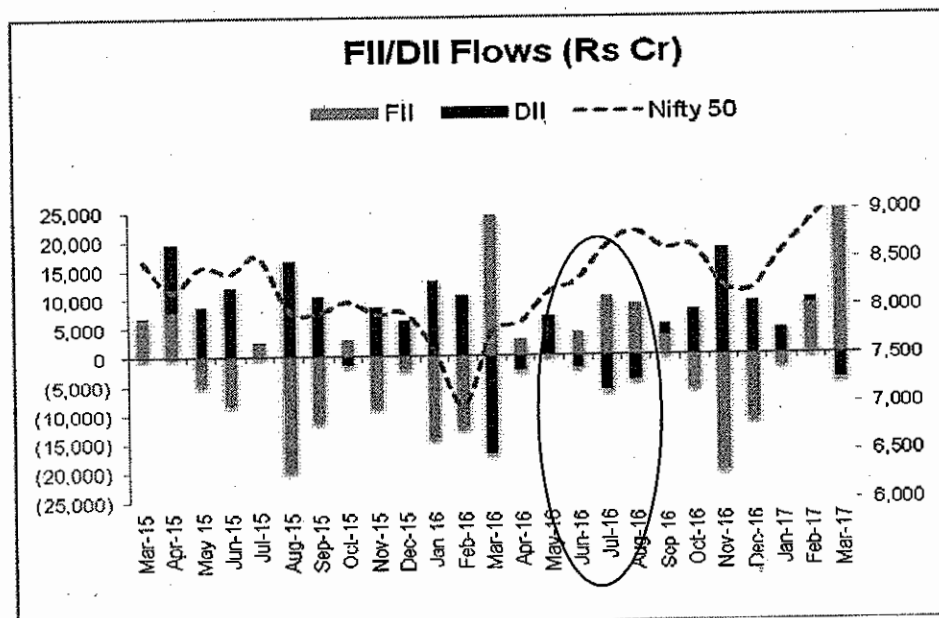


overnight. BJP's win in Uttar Pradesh state election eventually proved that common man has fully supported PM Modi's vision of rooting out black money, corruption and encouraging a cashless digital economy.

After a long time Uttar Pradesh will have a common government both at the centre and state level raising expectations of fast track reform – extremely crucial to lift the GDP growth rates as the state which accounts for 17% of the country's population just contributes 8% of national GDP. Demonetization in FY17 and GST in FY18 together will accelerate conversion of unorganized/informal economy into formal channels. Organizations with dominant brand, strict compliance, full taxpaying are likely to benefit.

In terms of stock market performance, the year started with huge skepticism around stability of global markets, revival of domestic economy, sustainability of capital flows and fragility of currency. The year ended with India topping the charts on most fronts. Sensex which closed at 25,342 at the end of the FY15-16 closed at 29,620 at the end of the current financial year with a high of 29,824 and low of 24,523. Similarly, the benchmark Nifty which closed at 7,738 at the end of the previous financial year closed at 9,173 at the end of the current financial year with a high of 9,218 and low of 7,894. The benchmark Index, NIFTY and Sensex registered handsome gains of 19% and 17% respectively. Mid and Small cap indices grew much faster at 34% and 36% respectively.

The retail investors continued to participate in capital markets through mutual fund route. The year also witnessed the domestic mutual fund industry hitting a big inflection point. Indian Mutual Fund AUM grew by 40%, crossing US\$ 270bn, a five-fold increase in less than 10 years. Amidst the usual trend of a positive correlation between the FII flows and market movement in the pre-demonetization phase, a strong surge in domestic mutual fund inflows post demonetization led to a recovery in the markets, shifting the limelight from FII's trading activity.



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Indian currency also strengthened during the course of the year – 5.7% from the year's low, 2.1% from the beginning of the year rate.

**5. Dividend:**

In view of carry forward losses, your Directors do not recommend payment of any dividend for the year 2016-17.

**6. Share Capital:**

The paid up Equity Share Capital of the Company as on March 31, 2017 was Rs. 17,71,65,000/- (1,77,16,500 Equity shares of Rs. 10/-each). During the year under review, the Company has allotted 1,46,66,500 equity shares.

**7. Deposits:**

The Company did not accept/renew any deposits within the meaning of Section 73 of the Companies Act, 2013 and the rules made there under and as such, no amount of principal or interest was outstanding as on the balance-sheet date.

**8. Transfer to Reserves:**

The Company during the year has not transferred any amount to General Reserve.

**9. Holding / Subsidiary / Associate Companies:**

Your company is a subsidiary company of IIFL Holdings Limited. Your company does not have any subsidiary or associate company.

**10. Scheme of Arrangement:**

The Board of Directors of your Company at their meeting held on September 30, 2016 considered and approved the proposed demerger of '5Paisa Digital Undertaking' from IIFL Holdings Limited ("IHL") into 5Paisa Capital Limited ("5paisa/ Company") and the proposed terms of the Scheme of Arrangement are as follows:

- a. The proposed demerger would be through a Scheme of Arrangement under section 230-232 of the Companies Act, 2013 between IIFL Holdings Limited ("IHL") and 5Paisa Capital Limited ("5PCL") and their respective shareholders. Post demerger, Your Company will be listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"). The appointed date of the demerger is October 01, 2016 and the Scheme shall be effective after filing the order of the National Company law Tribunal ("NCLT") with the Registrar of Companies.
- b. As per terms of the proposed Scheme of Arrangement, the consideration for the demerger is by way of allotment of equity shares by 5paisa to the shareholders of IHL in the ratio of 1 share of Rs 10 each of 5Paisa for every 25 shares of IHL held by the shareholders of IHL, as

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per the share entitlement ratio issued by the Independent Chartered Accountant M/s. SSPA & Co. and fairness opinion provided by Category I Merchant Banker Keynote Corporate Services Limited.

- c. The Post demerger, on the Effective Date, the equity shares of the Company, held by IHL shall be cancelled without any further act or deed, and without payment of consideration and also the shareholding of 5paisa will be mirror image of the shareholding of IIFL Holdings Limited as on record date to be determined after the approval of Scheme of Arrangement by NCLT.
- d. The shareholding of 5paisa will be mirror image of the shareholding of IIFL Holdings Limited as on record date to be determined after the approval of Scheme of Arrangement by NCLT.

NCLT vide its order dated March 23, 2017 has directed to conduct the meeting of the Shareholders of the Company on May 10, 2017 for approving the Scheme of Arrangement. Accordingly, the Company has sent the notice to the shareholders of the Company for convening the Meeting. Post these approvals and the final approval of NCLT, SEBI, NSE and BSE, the scheme will be effected.

The Company is confident that with the growth of the financial services and increased inflow of investments into Capital market and the Company is poised to grow its business significantly in the coming years. The Company's focus on mobile app based/online trading under DIY model and increased offering of other financial products like mutual funds, REITS, Bonds etc. This will enable a strong growth and large investments envisaged into this business.

## **11. Directors:**

### **a. Appointment**

Mr. Prakarsh Gagdani was appointed as an Additional Director in the capacity as Whole Time Director by the Board on December 22, 2015 and he was further confirmed by member at their Annual General Meeting held on July 21, 2016.

Mr. Krishna Iyer was appointed as Additional Director designated as Independent Director by the Board on March 31, 2017 and will be confirmed.

### **b. Retirement by Rotation:**

Mr. R Mohan to be retired by rotation at the Annual General Meeting and is eligible for re-appointment.

### **c. Statement on declaration given by Independent directors under subsection (6) of Sec. 149:**

Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013. Further, as per Schedule IV of Companies Act 2013, the appointment of Independent Directors is being

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formalized through a letter of appointment. The terms and conditions of appointment of Independent Director are open for inspection at the registered office of the Company by any member during normal business hours.

**d. Meetings of the Board of Directors:**

The Board met 11 (Eleven) times during the year 2016-17 to discuss and approve various matters including financials, appointment of auditor, appointment of director, review of audit reports and other board businesses.

Name of the member	Attendance at the Board meeting held on										
	04.05.16	07.07.16	30.07.16	19.08.16	12.09.16	30.09.16	30.09.16	10.10.16	23.01.17	15.02.17	31.03.17
Mr. R Mohan	Yes	Yes	LOA	LOA	LOA	LOA	LOA	Yes	Yes	Yes	Yes
Mr. Narendra Jain	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Prakarsh Gagani	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
*Mr. Krishna Iyer	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A.

\*Mr. Krishna Iyer has been appointed w.e.f. March 31, 2017.

**a) Committees of the Board**

In accordance with the applicable provisions of the Companies Act, 2013, the Board constituted the following Committees:

- Audit Committee
- Nomination and Remuneration Committee
- Audit Committee

During the year under review, the Board constituted the Audit Committee consisting of Mr. R Mohan, Mr. Krishna Iyer and Narendra Jain. The role, terms of reference and powers of the Audit Committee are in conformity with the requirements of the Companies Act 2013.

The Committee constituted on March 31, 2017 and thereafter no meeting of the Audit Committee took place.

- Nomination and Remuneration Committee

During the year under review, the Board constituted the Nomination and Remuneration Committee consisting of Mr. R Mohan, Mr. Narendra Jain and Mr. Krishna Iyer. The role, terms of reference and powers of the Audit Committee are in conformity with the requirements of the Companies Act 2013.

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The role, terms of reference and powers of the Nomination and Remuneration Committee are in conformity with the requirements of the Companies Act 2013. Further, the Board has, on the recommendation of the Nomination & Remuneration Committee, framed a policy for selection and appointment of directors, KMP, senior management personnel of the Company. The said policy is available for inspection.

The Committee constituted on March 31, 2017 and thereafter no meeting of the Audit Committee took place.

**12. Key Managerial Persons:**

As per the definition of Key Managerial Personnel as contained in section 2(51) of the Companies Act, 2013, the "Key Managerial Personnel" in relation to a Company are:

- Chief Executive Officer or Managing Director
- Whole-time Director
- Company Secretary
- Chief Financial Officer
- And, such other officer as may be prescribed

Remuneration and other details of the Key Managerial Personnel for the year ended March 31, 2017 are mentioned in the Extract to the Annual Return in Form MGT-9 which is attached as **Annexure 1** and forms a part of this report of the Directors.

During the year, Ms. Ankita Lakhota was appointed as Chief Financial Officer and Mr. Jayesh Sharma was appointed as the Company Secretary of the Company.

**13. Internal Financial Controls:**

The Company has in place adequate internal controls with reference to financial statements and operations and the same are operating effectively. The Statutory Auditors of the Company have verified the systems and processes and confirmed that the Internal Financial Controls system over financial reporting are adequate and such controls are operating effectively.

**14. Contracts and arrangements with Related Parties:**

Your company has put in place a policy for Related Party Transactions (RPT Policy) which has been approved by the Board of Directors. The Policy provides for identification of RPTs, necessary approvals by the Audit Committee/Board/Shareholders, reporting and disclosure requirements in compliance with Companies Act, 2013.



All contracts executed by the Company during the financial year with related parties were on arm's length basis and in the ordinary course of business.

You may refer to Note no. 25 to the financial statement which contains related party disclosures. Since all related party transactions entered into by the Company were on ordinary course of business and on an arm's length basis and in the ordinary course of business and the Company had not entered into any material related party contracts, Form AOC-2 disclosure is not required to be provided.

**15. Extract of Annual Return:**

The details forming part of the extract of the Annual Return of the Company in form MGT – 9 is annexed herewith as "Annexure - 1".

**16. Material changes and commitments affecting the financial position of the Company:**

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

**17. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo:**

The additional information on energy conservation, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is appended as Annexure -2 to and forms part of this Report.

**18. Risk Management:**

Your directors, on a regular basis, (a) oversee and approve the Company's enterprise wide risk management framework; and (b) oversee that all the risks that the organization faces such as strategic, financial, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. Your company has in place various policies and procedures covering the business, operations, employees, finance & accounting, customer services which are approved by the Board.

Your company's management monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives. The Company's management systems, organizational structures, processes, standards and code of conduct together form the risk management governance system of the Company and management of associated risks.

**19. Particulars of Employees:**

In terms of the provisions of Section 197 of the Companies Act, 2013 read with Rules 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company and the same will be furnished on request.

**20. Statutory Auditors:**

As per the provisions of Section 139 of the Companies Act 2013, the term of office of M/s. Sharp & Tannan Associates, Chartered Accountants, Mumbai (Firm Registration Number: 109983W), will conclude their term as the Statutory Auditors from the close of the forthcoming Annual General Meeting of the Company.

The Board of Directors places on record its appreciation for the services rendered by M/s. Sharp & Tannan Associates as the Statutory Auditors of the Company.

Subject to the approval of the Members, the Board of Directors of the Company has recommended the appointment of M/s. V. Sankar Aiyar & Co., Chartered Accountants (ICAI Firm Registration Number 109208W) as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013. Members' attention is drawn to a Resolution proposing the appointment of M/s. V. Sankar Aiyar & Co., Chartered Accountants as Statutory Auditors of the Company which is included at Item No 03 of the Notice convening the Annual General Meeting.

Further, there are no qualifications, reservations or adverse remarks or disclaimers made by the auditors, in their report. The Statutory Auditors have not reported any incident of material fraud to the Audit Committee of the Company in the year under review.

**21. Reporting of Frauds by Auditors:**

During the year under review, the Statutory Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which needs to be mentioned in this Report.

**22. Particulars of Loans, Guarantees or Investments:**

Particulars of loans given, investments made, guarantees given and securities provided are given in the notes to financial statements (please refer to Note 12, 13 & 16 to the standalone financial statements for the year ended March 31, 2017).



**23. Directors' Responsibility Statement:**

Pursuant to Section 134(3)(c) of the Companies Act, 2013 and based on the information provided by the management, your Directors state that:

- i. In the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- iii. the Directors have taken proper and sufficient care for the 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 fraud and other irregularities;
- iv. the Directors have prepared the annual accounts on a 'going concern' basis;
- v. 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
- vi. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**24. Material and significant order Passed by the regulators or courts or tribunals impacting the going concern status and the Company's future operations:**

There are no significant and material orders passed against the Company by the Regulators or Courts or Tribunals, which would impact the going concern status of the Company and its future operations.

**25. Prevention of Sexual harrasment:**

Your Company recognizes its responsibility and continues to provide a safe working environment for women, free from sexual harassment and discrimination. In Compliance with the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013 the Company has in place Policy on prevention of Sexual Harassment of Women at workplace. Your Directors further state that the during the fiscal year 2016-17, there were no complaints filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The following is reported pursuant to section 22 of The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013:



- a) Number of complaints of sexual harassment received in the year : Nil
- b) Number of complaints disposed off during the year : Nil
- c) Number of cases pending more than ninety days: Nil
- d) Numbers of workshops or awareness programme against sexual harassment carried out-  
The Company has made mandatory online training for the employees for creating awareness against the sexual harassment at workplace.
- e) Nature of action taken by the employer or district officer: N.A.

**26. Appreciation:**

Your Directors place on record their sincere appreciation for the assistance and guidance provided by the regulators, stock exchanges, other statutory bodies and Company's bankers for the assistance, cooperation and encouragement extended to the Company.

Your Directors also gratefully acknowledge all stakeholders of the Company viz. customers, dealers, vendors, banks and other business partners for the excellent support received from them during the year. Your company's employees are instrumental in your company scaling new heights, year after year. Their commitment and contribution is deeply acknowledged. Your involvement as shareholder is also greatly valued. Your Directors look forward to your continuing support.

**For and on behalf of the Board**




**Narendra Jain**  
**Director**

**Din: 01984467**

**Date: May 02, 2017**

**Place: Mumbai**

  
**Prakarsh Gagdani**  
**Director**  
**Din: 07376258**



**Spaisha Capital Limited (Formerly "IIFL Capital Limited")**

**Corporate Identity Number: U67190MH2007PLC289249**

Corporate office/Regd. Office: IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400604  
Tel: +91 22 41035000, E-mail: support@5paisha.com • Website: www.5paisha.com

**Annexure – 1 to Directors' Report**

**Form No. MGT-9**

**EXTRACT OF ANNUAL RETURN**

as on the financial year ended on March 31, 2017

[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:	U67190MH2007PLC289249
ii) Registration Date	10/07/2007
iii) Name of the Company	5paisa Capital Limited
iv) Category / Sub-Category of the Company	Public Company Limited by shares
v) Address of the Registered office and contact details	IIFL House, Sun Infotech Park, Road No. 16V, Plot No.B-23, Thane Industrial Area, Wagle Estate, Thane, Maharashtra, 400604.
vi) Whether listed company	No
vii) Name, Address and Contact details of Registrar and Transfer Agent, if any	<p><b>For Dematerlized securities</b>  Link Intime India Private Limited  C-13, Pannalal Silk Mills Compound,  LBS Marg, Bhandup (W), Mumbai - 400 078  Tel: +91 22 2596 3838  Fax: +91 22 2594 6969  E-mail : mumbai@linkintime.co.in  Website: www.linkintime.co.in</p> <p><b>For Physical securities</b>  N.A.</p>

**II. Principal business activities of the company**

All the business activities contributing 10% or more of the total turnover of the company are given below:-

Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
Stock Broking	66120	99.17

\* As per National Industrial Classification – Ministry of Statistics and Programme Implementation

**5paisa Capital Limited (Formerly "IIFL Capital Limited")**

**Corporate Identity Number: U67190MH2007PLC289249**

Corporate office/Regd. Office: IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane – 400604  
Tel: +91 22 41035000, E-mail: support@5paisa.com • Website: www.5paisa.com



### III. Particulars of holding, subsidiary and associate companies

Name and Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
IIFL Holdings Limited IIFL House Sun Infotech Park, Road No. 16V, Plot No.B-23 Thane Industrial Area, Wagle Estate, Thane - 400604	L74999MH1995PLC093797	Holding	100	2(46)

### IV. Share holding pattern (Equity Share Capital Breakup as percentage of Total Equity)

#### i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (As on 01-04-2016)				No. of Shares held at the end of the year (As on 31-03-2017)				% Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	3049994	0	3049994	99.99	17716494	0	17716494	99.99	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other – Nominees of IIFL Holdings Limited	0	6	6	0.01	0	6	6	0.01	0
<b>Sub-total (A) (1):-</b>	<b>3049994</b>	<b>6</b>	<b>3050000</b>	<b>100.00</b>	<b>17716494</b>	<b>6</b>	<b>17716500</b>	<b>100.00</b>	<b>0</b>
(2) Foreign									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other- Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>3049994</b>	<b>6</b>	<b>3050000</b>	<b>100.00</b>	<b>17716494</b>	<b>6</b>	<b>17716500</b>	<b>100.00</b>	<b>0</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0

b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(1):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Non-Institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
a) Bodies Corp.	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	0	0	0	0	0	0	0	0
<b>C. Any Other</b>									
Office Bearers	0	0	0	0	0	0	0	0	0
Qualified Foreign	0	0	0	0	0	0	0	0	0
Non Resident Indians (Repat)	0	0	0	0	0	0	0	0	0
Non Resident Indians (Non Repat)	0	0	0	0	0	0	0	0	0
Foreign Nationals	0	0	0	0	0	0	0	0	0
Clearing Member	0	0	0	0	0	0	0	0	0
Directors/Relatives	0	0	0	0	0	0	0	0	0
Trusts	0	0	0	0	0	0	0	0	0
Foreign Company	0	0	0	0	0	0	0	0	0
Foreign Portfolio Investor (Corporate)	0	0	0	0	0	0	0	0	0
Overseas Bodies Corporate	0	0	0	0	0	0	0	0	0
<b>Sub-total (B)(2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Public Shareholding Public Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(B)=(B)(1)+(B)(2) Group</b>									
<b>(B)=(B)(1)+ (B)(2)</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Grand Total (A+B+C)</b>	<b>3049994</b>	<b>6</b>	<b>3050000</b>	<b>100.00</b>	<b>17716494</b>	<b>6</b>	<b>17716500</b>	<b>100.00</b>	<b>0</b>

### Shareholding of Promoters:-

Shareholder's Name	Share holding at the beginning of the year (As on 01-04-2016)			Share holding at the end of the year (As on 31-03-2017)			% 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	
IIFL Holdings Ltd. (including its nominees)	30,50,000	100.00	NA	1,77,16,500	100.00	NA	Nil
<b>Total</b>	<b>30,50,000</b>	<b>100.00</b>	<b>NA</b>	<b>1,77,16,500</b>	<b>100.00</b>	<b>NA</b>	<b>Nil</b>

### ii) Change in Promoters' Shareholding

	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 (01.04.2016)	30,50,000	100.00	30,50,000	Nil
Add- Allotment on 19.08.2016	16,66,500	100.00	47,16,500	Nil
Add-Allotment on 30.09.2016	1,30,00,000	100.00	1,77,16,500	Nil
At the end of the year (31.03.2017)	<b>1,77,16,500</b>	<b>100.00</b>	<b>1,77,16,500</b>	<b>Nil</b>

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

Sr. No.	Name of shareholders	Shareholdings at the beginning of the year		Change in Shareholdings(No. of shares)		Shareholdings at the end of the year (	
		No. of shares	% of total shares of the Company	Increase	Decrease	No. of shares	% of total shares of the Company
-	-	-	-	-	-	-	-

iv) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name of Directors and KMP	Shareholding at the beginning of the year (01.04.2016)		Changes in Shareholding (No. of Shares)		Shareholding at the end of the year (31.03.2017)	
		No. of shares	% of total shares of the company	Increase	Decrease	No. of shares	% of total shares of the company
-	-	-	-	-	-	-	-

V. Indebtedness

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

(Amount in Rs)

	Secured Loans excluding Deposits	Unsecured Loans	Deposit	Total Indebtedness
<b>Indebtedness at the beginning of year</b>				
(i) Principal amount	0	2,31,00,000	0	0
(ii) Int. due but not paid	0	0	0	0
(iii) Int. accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>2,31,00,000</b>	<b>0</b>	<b>0</b>
<b>Changes in Indebtedness during the year</b>				
Addition	0	9,27,29,00,000	0	0
Reduction	0	9,29,60,00,000	0	0
<b>Net Change</b>	<b>0</b>	<b>2,31,00,000</b>	<b>0</b>	<b>0</b>
<b>Indebtedness at the end of the financial year (31.03.2017)</b>				
(i) Principal amount	0	0	0	0
(ii) Int. due but not paid	0	0	0	0
(iii) Int. accrued but not due	0	0	0	0
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## VI. Remuneration of directors and Key Managerial Personnel

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

(Amount in Rs.)

Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount
Name of MD/WTD/Manager	Mr. Prakarsh Gagdani (Whole Time Director)	
Gross salary		
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	52,91,652	52,91,652
(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	-	-
Stock Option	-	-
Sweat Equity	-	-
Commission - as % of profit - others, specify	-	-
Others, please specify (Company's contribution to PF + Pension fund)	-	-
Total (A)	52,91,652	52,91,652
Ceiling as per the Act	Managerial remuneration is paid as per the special resolution passed by the members at their respective meetings held and is within the limits specified in Schedule V of the Companies Act.	

**B. Remuneration to other directors: N.A.**

(Amount in Rs.)

Particulars of	Name of Directors			Total Amount
Name of Director	Mr. R Mohan (Non-Executive Director)	Mr. Narendra Jain (Non-Executive Director)	Mr. Krishna Iyer (Independent Director)	
3. Independent Directors - Fees for attending board/ committee meetings	NIL	NIL	NIL	NIL
Total (3)	NIL	NIL	NIL	NIL
4. Other Non-Executive Directors - Fees for attending board/ committee meetings	NIL	NIL	NIL	NIL
Total (4)	NIL	NIL	NIL	NIL
Total (B)=(3+4)	NIL	NIL	NIL	NIL
Total Managerial Remuneration		52,91,652		
Overall Ceiling as per the Act		Managerial remuneration is paid as per the special resolution passed by the members at their respective meetings held and is within the limits specified in Schedule V of the Companies Act.		

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD – N.A.**

Particulars of Remuneration	Key Managerial Personnel		
Name of KMP	#Ms. Ankita Lakhotia- Chief Financial officer	§Mr. Jayesh Sharma- Company Secretary	N.A.
Gross salary	1,02,373	NIL	N.A.
(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			
Stock Option	N.A.	NIL	N.A.
Sweat Equity	N.A.	NIL	N.A.
Commission as % of profit	N.A.	NIL	N.A.

Others, please specify (Company contribution towards PF, Medical Reimbursement)	N.A.	NIL	N.A.
<b>Total</b>	<b>1,02,373</b>	<b>NIL</b>	<b>N.A.</b>

#Ms. Ankita Lakhotia joined the Company w.e.f 08.03.17 & she was designated as Chief Financial officer w.e.f. 31.03.2017  
\$ Mr. Jayesh Sharma was appointed as the Company Secretary w.e.f. 15.02.2017


#### VII. Penalties / Punishment/ Compounding of offences

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>		Penalty	NIL		
Punishment		Compounding			
<b>B. DIRECTORS</b>		Penalty			
Punishment		Compounding			
<b>C. OTHER OFFICERS IN DEFAULT</b>		Penalty			
Punishment		Compounding			

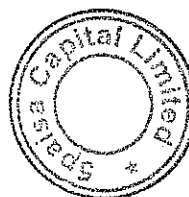
For and on behalf of the Board



**Narendra Jain**  
Director  
Din: 01984467  
Date: May 02, 2017  
Place: Mumbai



**Prakarsh Gagdani**  
Director  
Din: 07376258



## **Annexure – 2 to Directors' Report**

**Information relating to conservation of energy, technology absorption and innovation and foreign exchange earnings/outgo forming part of the Directors' Report in terms Section 134(3) (m) of the Companies Act, 2013.**

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### **Conservation of energy:**

The Company is engaged in providing financial services and as such its operations do not account for substantial energy consumption. However, the Company is taking all possible measures to conserve energy. Several environment friendly measures were adopted by the Company such as:

Installation of capacitors to save power,

Installed Thin Film Transistor (TFT) monitors that saves power,

Light Emitting Diode (LED) lights

Automatic power shutdown of idle monitors,

Creating environmental awareness by way of distributing the information in electronic form,

Minimizing air-conditioning usage,

Shutting off all the lights when not in use and

Education and awareness programs for employees

The Management frequently puts circulars on corporate intranet, IWIN for the employees educating them on ways and means to conserve the electricity and other natural resources and ensures strict compliance of the same.

### **Technology absorption and innovation:**

The Management understands the importance of technology in the business segments it operates and lays utmost emphasis on system development and use of best technology available in the industry. The management keeps itself abreast of technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet the business needs and objectives.



**Network:** The management invested considerable resources in deploying the latest technologies in the areas of wide area networking using MPLS, video communications, VoIP, automated dialers and other customer relationship management (CRM) tools and software. A consolidated nationwide deal with Airtel has helped us roll out a reliable MPLS network with redundant MPLS clouds and automated failover in most locations. The Company also made significant strides in using cloud technology for customer-facing servers providing rapid and inexpensive ramp-up or down of capacity in line with business requirements.

**Software:** The technology team has improved the trader terminal, our proprietary trading platform, which is more user-friendly and has better features than other trading platforms available in the market. The Company also successfully developed a browser-based trading platform using .NET technology, which is light weight and efficient and at the same time developed in-house, and Commodity and currency capabilities were also added available on the same platform. Mobile and tablet friendly versions of the trading platform have been launched and have gained significant adoption.

**Security & Compliance:** The management is aware of increasing threats in the Information Security domain and has taken several steps to ensure that the Company is safe guarded against hacking attacks, data leakage and security breaches. IT and certain business processes have been recertified for ISO 27001 systems for practicing industry standard security implementations and processes. The management has invested resources in implementing controls and continuously monitoring violations, if any.

**Foreign exchange earnings/outgo:**

- a) The foreign exchange earnings: Nil
- b) The foreign exchange expenditure: Nil

**Research and Development (R & D):**

The Company is engaged in stock broking and trading and it does not carry-out any research and development activities.

**For and on behalf of the Board**



**Narendra Jain**  
Director

Din: 01984467

Date: May 02, 2017

Place: Mumbai



**Prakarsh Gagdani**  
Director

Din: 07376258

