

**AXIS FINANCE LIMITED**
**DIRECTORS' REPORT**

The Board of Directors is pleased to submit the Annual Report on the business and operations of the Company along with the Audited Balance Sheet and Statement of Profit & Loss for the year ended 31<sup>st</sup> March 2014.

**FINANCIAL PERFORMANCE**

The Financial Results of the Company for the year ended 31<sup>st</sup> March 2014 are given below:

*(Rs. in Crores)*

<b>Financial Summary (FY ending)</b>	<b>31.03.2014</b>	<b>31.03. 2013</b>
Operating Revenue	68.27	8.16
Other Income	7.76	8.11
Total Gross Revenue	76.03	16.27
Expenditure	25.52	0.80
PBT	50.51	15.46
PAT	33.47	10.25
Issued Share Capital		
Equity Share Capital (a)	255.75	5.75
Preference Share Capital (b)	0.00	0.00
Total Issued Capital (c=a+b)	255.75	5.75
<b>Financial Summary (FY ending)</b>	<b>31.03.2014</b>	<b>31.03. 2013</b>
Reserves & Surplus		
Securities Premium (d)	82.60	84.50
Statutory reserve (e)	14.81	8.11
Profit & Loss (f)	58.94	32.17
Total Reserves & Surplus (g=d+e+f)	156.35	124.78
Networth (h=g+c)	412.10	130.53
Surplus Carried to B/S	33.47	10.25
Loan and Advances	1162.59	24.12



### **OPERATIONS AND FUTURE OUTLOOK OF THE COMPANY**

The year 2013-14 has been transformational for the Company on account of introduction of multiple new product categories such as Loan Against Shares, Structured Funding and Loan Against Property. Consequently, there has been a significant shift in the business as well as revenue mix for the Company with total gross revenues increasing from Rs.16.27 Crores in 2012-13 to Rs. 76.03 Crores in 2013-14. The Net profit has also improved to Rs. 33.47 Crores for the year 2013-14 as against Rs. 10.25 Crores during 2012-13.

The Company's asset base increased from Rs. 131 Crores as on 31<sup>st</sup> March 2013 to Rs.1218 Crores as on 31<sup>st</sup> Mar 2014 with Net Interest Margin of 5.57% for the year under review. Your Company has also increased the equity share capital by Rs. 250 Crores during 2013-14 in order to support the growth in business during the year and hereafter. The total equity share capital of the Company stands at Rs. 255.75 Crores as on 31<sup>st</sup> March 2014. The networth of the Company has also increased accordingly, from Rs. 130.53 Crores as on 31<sup>st</sup> march 2013 to Rs. 412.10 Crores as on 31<sup>st</sup> March 2014.

We are cautiously optimistic about the business prospects for the coming year 2014-15 with Capital Markets expected to turnaround and increased activity in the real estate segment over the year. Increase in business levels through further leverage of the balance sheet is expected to increase revenues and thereby improve returns for the shareholders.

### **DIVIDEND**

Your Directors do not recommend any dividend for the year ended on 31<sup>st</sup> March 2014.

### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Nilesh Shah, Director of the Company, retires by rotation and being eligible offered himself for reappointment.



**Axis Finance Limited – Directors’ Report – 2013 – 2014**

Mr. Bipin Kumar Saraf was appointed as Managing Director & CEO by the Board of Directors w.e.f April 16, 2013. Further his appointment was confirmed by the Members at the AGM held on July 16, 2013.

**DEACTIVATION OF ISIN FROM CDSL**

Considering the holding Company and its nominee having demat account with Depository registered with NSDL, during the year under review, the Company’s registered ISIN with CDSL was deactivated. Presently, the Company is having its ISIN registered only with NSDL.

**INCREASE IN AUTHORISED & PAID UP SHARE CAPITAL**

In order to expand business activities, the Company increased its Authorised Share Capital from Rs. 50 Crs to Rs. 300 Crs. vide resolution passed at the Extra Ordinary General Meeting of the Company held on April, 25 2013. Further on May 27, 2013 the Company allotted 250,000,000 Equity Shares of Rs.10/- each for cash at par by way of preferential allotment to M/s. Axis Bank Limited, Holding Company.

**CONVERSION OF COMPANY FROM PRIVATE LIMITED TO PUBLIC LIMITED**

At its EGM held on March 28, 2013, the Members passed a Resolution for Conversion of the Company from Private Limited to Public Limited and also adopted a new set of Articles of Association in line with the applicable to the Public Limited Company. The ROC, Maharashtra, Mumbai had issued a Certificate dated 10 May, 2013 to this effect.

**AUDIT COMMITTEE**

The Audit Committee of the Company comprises of Mr. Srinivasan Varadarajan, Mr. Nilesh Shah & Mr. Bapi Munshi, Directors of the Company.

**REMUNERATION COMMITTEE**

The remuneration committee consists of three directors namely Mr. Srinivasan Varadarajan, Mr. Bipin Kumar Saraf & Mr. Bapi Munshi. The remuneration committee was constituted vide board resolution dated April 02, 2013.



#### **PUBLIC DEPOSITS**

During the year under review, the Company has not accepted any deposit pursuant to Section 58A of the Companies Act, 1956.

#### **PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

- A. Since the Company does not carry out any manufacturing activities, particulars to be disclosed with respect to conservation of energy and technology absorption under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.
- B. During the year under review there has been no earning and outgo in foreign exchange.

#### **INFORMATION PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956**

During the year under review, none of the employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, whether employed throughout the year or for part of the year.

#### **AUDITORS**

M/s. S.R. Batliboi & Co. LLP, Chartered Accountants, would retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. You are requested to consider their reappointment and authorise the Board of Directors to fix their remuneration.

#### **AUDITORS REPORT**

The notes to Accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further comments.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

Your Directors hereby declare and confirm that:

- i. The applicable accounting standards have been followed in the preparation of the annual accounts and proper explanations have been furnished, relating to material departures.



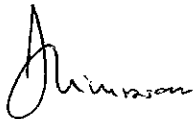
**Axis Finance Limited – Directors’ Report – 2013 – 2014**

- ii. Accounting policies have been selected, and applied consistently and reasonably, and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company and of the profit/ loss of the Company for the year ended 31<sup>st</sup> March 2014.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The annual accounts of the Company have been prepared on a going concern basis.

**ACKNOWLEDGEMENTS**

Your Directors would like to express their gratitude for all the guidance and co-operation received from Axis Bank. Your Directors would like to place on record its sincere appreciation for the co-operation received from various regulatory authorities including Reserve Bank of India.

Your Directors also wish to extend a special thanks to the employees at all levels, who have exhibited the qualities of perseverance, teamwork and enthusiasm and have enabled the Company to achieve exceptional business growth.

**FOR AND ON BEHALF OF BOARD OF DIRECTORS**

**SRINIVASAN VARADARAJAN**  
**CHAIRMAN**



**BIPIN KUMAR SARAF**  
**MANAGING DIRECTOR & CEO**



**Place: Mumbai**

**Date: April 10, 2014**

## INDEPENDENT AUDITOR'S REPORT

To the Members of Axis Finance Limited (Formerly known as Axis Finance Private Limited)

### Report on the Financial Statements

We have audited the accompanying financial statements of Axis Finance Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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 financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Act, 1956 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date;  
and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
  - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & CO. LLP  
Chartered Accountants  
ICAI Firm Registration Number: 301003E



per Viren H Mehta  
Partner  
Membership Number: 048749  
Place of Signature: Mumbai  
Date: 10 April 2014



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

**Annexure referred to in our report of even date**

**Re: Axis Finance Limited (formerly Axis Finance Private Limited) ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of providing loans and advances and does not have inventory. Therefore, the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a) According to information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) The provision of clause 4(viii) of the Order is not applicable to the Company in the year under audit and hence not reported upon.
- (ix)(a) Undisputed statutory dues including employees' state insurance, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases pertaining to tax deducted at source and service tax.*

As informed, provisions of Investor education and protection fund, sales tax, wealth tax, custom duty and excise duty are currently not applicable to the Company.



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

## **Axis Finance Limited**

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

As informed, provisions of investor education and protection fund, sales tax, wealth tax, custom duty and excise duty are currently not applicable to the Company.

- (c) According to the information and explanations given to us, there are no dues of income tax, service tax and cess which have not been deposited on account of any dispute

As informed, provisions of investor education and protection fund, sales tax, wealth tax, custom duty and excise duty are currently not applicable to the Company.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash loss in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) According to the information and explanations given to us and based on the examination of documents and records produced to us, the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised money through public issue during the year.

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**S.R. BATLIBOI & Co. LLP**

Chartered Accountants

Axis Finance Limited

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

Firm registration number: 301003E



per Viren H. Mehta

Partner

Membership No.: 048749

Place: Mumbai

Date: 10 April 2014

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Axis Finance Limited  
Formerly Axis Finance Private Limited

Balance sheet as at 31 March 2014

(Amount in Indian Rupees)

	Note No.	As at 31 March 2014	As at 31 March 2013
<b>Equity and liabilities</b>			
<b>Shareholders' fund</b>			
Share capital	3	25575,00,000	575,00,000
Reserves and surplus	4	15635,45,574	12477,73,747
		<u>41210,45,574</u>	<u>13052,73,747</u>
<b>Non current liabilities</b>			
Long term provision	7	139,91,000	-
		<u>139,91,000</u>	<u>-</u>
<b>Current liabilities</b>			
Short term borrowings	5	80084,34,591	-
Other current liabilities	6	166,75,531	6,04,029
Short-term provisions	7	239,89,855	29,82,915
		<u>80490,99,977</u>	<u>35,86,944</u>
<b>Total</b>		<u><u>121841,36,551</u></u>	<u><u>13088,60,691</u></u>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	8	4,76,203	-
Deferred tax asset	29	102,83,065	6,31,233
Non current investments	9	8980,32,461	-
Long term loans and advances			
a. Loans	10	55962,00,000	-
b. Others	11	269,12,761	-
		<u>65319,04,490</u>	<u>6,31,233</u>
<b>Current assets</b>			
Trade receivables	12.1	50,562	1,38,863
Cash and bank balances	13	1736,85,373	10634,87,046
Short-term loans and advances			
a. Loans	10	54480,06,559	2418,30,901
b. Others	11	15,99,345	6,86,374
Other current assets	12.2	288,90,222	20,86,274
		<u>56522,32,061</u>	<u>13082,29,458</u>
<b>Total</b>		<u><u>121841,36,551</u></u>	<u><u>13088,60,691</u></u>
Summary of significant accounting policies	2.1		

The accompanying notes forming part of financial statements

As per our attached report of even date

For S.R. BATLIBOI & CO. LLP  
Firm Registration No.301003E  
Chartered Accountants

For and on behalf of the board of Axis Finance Limited

per Viren H. Mehta  
Partner  
Membership No. :- 048749  
Place: Mumbai  
Date: 10 April 2014

Srinivasan Varadarajan  
Chairman

Bipin Saraf  
Managing Director

Rajneesh Kumar  
Company Secretary



Axis Finance Limited  
Formerly Axis Finance Private Limited

Statement of profit and loss for the year ended 31 March 2014

(Amount in Indian Rupees)

	Note No.	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>Income</b>			
Revenue from operation	14	6827,00,066	902,83,720
Other income	15	776,17,727	723,76,757
<b>Total income</b>	<b>(A)</b>	<b>7603,17,793</b>	<b>1626,60,477</b>
<b>Expenses</b>			
Employee benefit expense	16	490,92,381	24,03,113
Financial costs	17	1536,45,547	4,22,291
Provisions and write off	18	284,75,000	-
Other expenses	19	239,27,321	51,79,109
Depreciation and amortization expense	20	57,549	6,720
<b>Total expenses</b>	<b>(B)</b>	<b>2551,97,798</b>	<b>80,11,233</b>
<b>Profit before tax</b>	<b>(C) = (A)-(B)</b>	<b>5051,19,995</b>	<b>1546,49,244</b>
<b>Tax expenses:</b>			
Current tax pertaining to profit/(loss) for the current year		1800,00,000	520,00,000
Current tax pertaining to profit/(loss) for earlier years		-	7,55,471
Deferred tax		(96,51,832)	(6,32,884)
<b>Profit for the year/period</b>		<b>3347,71,827</b>	<b>1025,26,657</b>
<b>Earning per equity share:</b>			
[Nominal Value per share ` 10, (31 March 2013 `10)]			
<b>Basic</b>			
Computed on the basis of total profit for the year		1.54	25.41
<b>Diluted</b>			
Computed on the basis of total profit for the year		1.54	25.41
<b>Summary of significant accounting policies</b>	<b>2.1</b>		

The accompanying notes forming part of financial statements

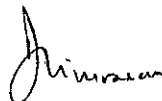
As per our attached report of even date

For S.R. BATLIBOI & CO. LLP  
Firm Registration No.301003E  
Chartered Accountants

For and on behalf of the board of Axis Finance Limited



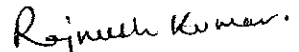
per Viren H. Mehta  
Partner  
Membership No. :- 048749  
Place: Mumbai  
Date: 10 April 2014



Srinivasan Varadarajan  
Chairman



Bipin Saraf  
Managing Director



Rajneesh Kumar  
Company Secretary



Cash flow statements for the year ended 31 March 2014

(Amount in Indian Rupees)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<b>A. Cash flow from operating activities</b>		
Profit before tax	5051,19,995	1546,49,244
Adjustments for:		
Depreciation	57,549	6,720
Loss / (profit) on sale of investment	(649,32,616)	(669,61,620)
Amortization of debenture redemption premium	(59,55,461)	-
Provision against standard assets	284,75,000	6,25,000
Interest income on bonds	(102,36,878)	-
Interest income on commercial paper	(145,94,432)	-
Provision for employee benefits	71,75,131	64,515
Sundry balance written off	-	1,133
Interest on fixed deposit and NCD	(454,40,409)	(134,70,048)
<b>Operating profit before working capital changes</b>	<b>3996,67,879</b>	<b>749,14,944</b>
Movement in working capital:		
Decrease / (increase) in long term loan & advances	(56027,00,000)	1,000
Decrease / (increase) in short term loan & advances	(52070,88,629)	1295,76,606
Decrease / (increase) in trade receivables	88,301	56,43,516
Decrease / (increase) in other current assets	(98,47,602)	(4,99,334)
Increase / (decrease) in short term provisions	9,41,962	(6,25,000)
Increase / (decrease) in trade payables	-	(13,64,233)
Increase / (decrease) in other current liabilities	160,71,502	5,41,658
<b>Cash generated from operations</b>	<b>(104028,66,587)</b>	<b>2081,89,157</b>
Income tax paid	(2020,06,915)	(546,99,689)
<b>Net cash flow from operating activities (A)</b>	<b>(106048,73,502)</b>	<b>1534,89,468</b>
<b>B. Cash flow from investing activities</b>		
Interest received on fixed deposit and NCD	372,97,077	244,19,171
Purchase of fixed assets	(5,33,752)	-
Investment in fixed deposit matured/(placed)(net) (having original maturity more than 3 months)	(1700,00,000)	-
Interest received on bonds	14,23,865	-
Proceeds from sale of investment	140836,55,433	36150,28,261
Purchase of investment	(148962,05,385)	(28014,28,732)
<b>Net cash flow from investing activities (B)</b>	<b>(9443,62,762)</b>	<b>8380,18,700</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from borrowings (net of repayment)	80084,34,591	-
Proceed from issue of shares (net of issue expenses)	24810,00,000	-
<b>Net cash flow from financing activities (C)</b>	<b>104894,34,591</b>	<b>-</b>
<b>Net Increase/(decrease) in cash and equivalents (A+B+C)</b>	<b>(10598,01,673)</b>	<b>9915,08,168</b>
Cash and cash equivalents at the beginning of the year	10634,87,046	719,78,878
<b>Cash and cash equivalents at the end of the year</b>	<b>36,85,373</b>	<b>10634,87,046</b>
<b>Note:</b>	<b>31.03.2014</b>	<b>31.03.2013</b>
Cash and cash equivalents includes:		
Cash	1,954	3,942
Balance with banks	36,83,419	10634,83,104
	<b>36,85,373</b>	<b>10634,87,046</b>

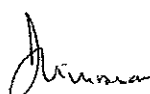
For S.R. BATLIBOI & CO. LLP  
Firm Registration No.301003E  
Chartered Accountants

  
per Viren H. Mehta  
Partner

Membership No. :- 048749  
Place: Mumbai  
Date: 10 April 2014



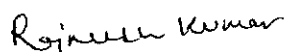
For and on behalf of the board of Axis Finance Limited



Srinivasan Varadarajan  
Chairman



Bipin Saraf  
Managing Director

  
Rajneesh Kumar  
Company Secretary

Axis Finance Limited  
Formerly Axis Finance Private Limited

Notes forming part of financial statements for the year ended 31 March 2014

## 1. Corporate information

Axis Finance Limited (Formerly Axis Finance Private Limited, 'the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act 1956. The Company is non-deposit accepting non-banking finance company or NBFC-ND-SI registered with Reserve Bank of India (RBI). The Company is engaged in the business of financing of loans.

## 2. Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The Company follows the prudential norms issued by Reserve Bank of India for asset classification, income recognition and provisioning for non-performing assets. Besides, additional amount is written/off provided for where the management, on a review, considers it necessary

### 2.1 Summary of significant accounting policies

#### I. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

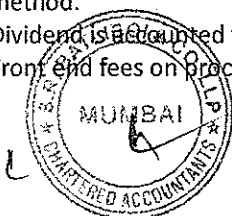
#### II. Cash flow statement

Cash flows are reported using the indirect method whereby cash flows from operating, investing and financing activities of the Group are segregated and profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments

#### III. Revenue recognition

Revenue is recognized to the extent that 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. Interest and other dues are accounted on accrual basis except in the case of non-performing loans where it is recognised upon realisation, as per the income recognition and asset classification norms prescribed by the RBI.
- b. Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.
- c. Dividend is accounted when the right to receive is established.
- d. Front end fees on processing of loans are recognised upfront as income.



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- e. Profit / loss earned on sale of investments is recognised on trade date basis. Profit / loss on sale of investments is determined based on the 'weighted average' cost for investments
- f. All other fees are recognized when reasonable right of recovery is established, revenue can be reliably measured and as and when they become due.
- g. Other revenue is recognized on accrual basis and no significant uncertainty exists as to its realization or collection.

#### IV. Fixed assets

Fixed assets are stated at cost, net off accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from de-recognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

#### V. Depreciation

Depreciation on fixed assets is provided using the Straight Line basis based on the useful lives estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

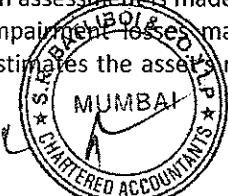
	Rates (SLM)	Schedule XIV Rates (SLM)
Office Equipments	10.00%	4.75%
Furniture and fitting	10.00%	6.33%
Computer	33.33%	16.21%

#### VI. Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there



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has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

#### VII. Provisioning / write-off of assets

Non-performing loans are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Provision against loans and advances:

Provision on standard assets is made, as per notification DNBS.PD.CC.No.207/03.02.002/2010-11 issued by reserve bank of India, 0.25% of the outstanding standard assets.

#### VIII. Loans

In accordance with the RBI guidelines, all loans are classified under any of four categories i.e. (i) standard assets, (ii) substandard assets, (iii) doubtful assets and (iv) loss assets.

#### IX. 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 in accordance with the RBI guidelines and Accounting Standard 13 on 'Accounting for investments' as notified under the Companies (Accounting Standards) Rules, 2006 . All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

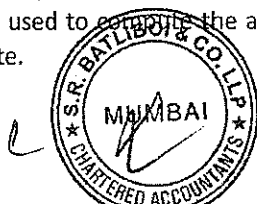
On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

#### X. Borrowing costs

Borrowing costs directly attributable to acquisition and construction of qualifying assets are capitalised as a part of the cost of such assets upto the date when such assets is ready for its intended use. Other borrowing costs are charged to the statement of Profit and Loss.

#### XI. Taxes on income

- a. 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.



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- b. 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 rates and the tax laws enacted or substantively enacted at the reporting date.
- c. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
- d. At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset 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 against which such deferred tax assets can be realized.
- e. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonable certain or virtually certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes virtually certain, as the case may be, that sufficient future taxable income will be available.
- f. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

## XII. Retirement and other Employee Benefits

### Provident fund

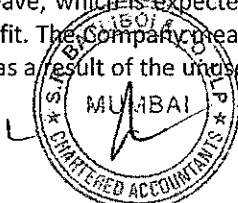
Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

### Gratuity

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated period mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

### Leave encashment

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the year end. The Company treats



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accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the reporting date. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date

#### **XIII. Leases**

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

#### **XIV. Contingent liabilities and provisions**

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

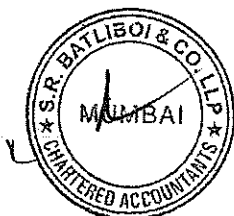
#### **XV. Earning per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### **XVI. Cash and cash equivalent**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and on hand, fixed deposits and short-term highly liquid investments with an original maturity of three months or less are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalent does not include fixed deposit which is lien marked against borrowing.



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Notes to Financial Statements for the year ended 31 March 2014

3. Share capital

	31 March 2014 Rs.	31 March 2013 Rs.
<b>Authorized shares</b>		
260,000,000 (31 March 2013: 10,000,000) equity shares of ₹10/- each	26000,00,000	1000,00,000
4,000,000 (31 March 2013: 4,000,000) preference shares of ₹10/- each	4000,00,000	4000,00,000
	<b>30000,00,000</b>	<b>5000,00,000</b>
<b>Issued, subscribed and fully paid-up shares</b>		
255,750,000 (31 March 2013: 5,750,000) equity shares of ₹10/- each	25575,00,000	575,00,000

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31 March 2014		31 March 2013	
	No.	Rs.	No.	Rs.
At the beginning of the year	57,50,000	575,00,000	37,50,000	375,00,000
Issued during the year	2500,00,000	25000,00,000	20,00,000	200,00,000
Outstanding at the end of the year	2557,50,000	25575,00,000	57,50,000	575,00,000
<b>Preference shares</b>				
	31-Mar-14		31-Mar-13	
	No.	Rs.	No.	Rs.
At the beginning of the year	-	-	40,00,000	400,00,000
Redeemed/converted during the year	-	-	40,00,000	400,00,000
Outstanding at the end of the year	-	-	-	-

(b) Terms/right attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in the proportion of the number of shares held by the shareholders.

(c) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders

(d) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

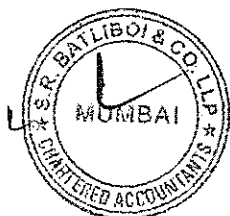
Out of equity shares issued by the Company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Name of shareholder	31 March 2014 Rs.	31 March 2013 Rs.
Axis Bank Limited, the holding company and its nominees 255,750,000 (31 March 2013: 5,750,000) equity shares of ₹10/- each	25575,00,000	575,00,000

(e) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	31-Mar-14		31-Mar-13	
	No.	% of holding in the class	No.	% of holding in the class
Equity shares of ₹10 each fully paid				
Axis Bank Limited, the holding company and its nominees	2557,50,000	100%	57,50,000	100%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.



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**4. Reserve & Surplus**

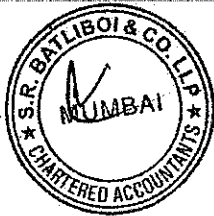
	31 March 2014 Rs.	31 March 2013 Rs.
<b>Security premium reserve</b>		
Balance as per last financial statements	8450,00,000	4650,00,000
Add:- Addition during the year	-	3800,00,000
Less:- Utilization during the year against share issue expense	190,00,000	-
Balance at the end of the year	8260,00,000	8450,00,000
<b>Statutory reserve u/s 45-IC of RBI Act</b>		
Balance as per last financial statements	811,00,000	604,71,050
Add:- Addition during the year	670,00,000	206,28,950
Balance at the end of the year	A 1481,00,000	811,00,000
<b>Surplus in the statement of profit and loss</b>		
Balance as per last financial statements	3216,73,747	2397,76,040
Profit for the year	3347,71,827	1025,26,657
Less:- Transfer to statutory reserve	670,00,000	206,28,950
Balance at the end of the year	B 5894,45,574	3216,73,747
<b>Total</b>	(A+B) 15635,45,574	12477,73,747

**5. Short term borrowings**

	31 March 2014 Rs.	31 March 2013 Rs.
<b>Loan from banks</b>		
Secured	27643,28,623	-
Unsecured	4604,59,931	-
A	32247,88,554	-
<b>Loan from others</b>		
Unsecured commercial paper		
Face value	49900,00,000	-
Less: unexpired discount	2063,53,963	-
B	47836,46,037	-
<b>Total</b>	(A+B) 80084,34,591	-
<b>The above amount includes</b>		
Secured borrowings	27643,28,623	-
Unsecured borrowings	52441,05,969	-
	80084,34,592	-

Short term borrowing amounting to Rs 2,764,328,623 (previous year nil) referred above are secured by pari passu first charge all present and future book debts, receivables, loan assets and bank's fixed deposit of the Company. These carries interest @ 9.50% to 10.50%

Unexpired discount on commercial paper is net of Rs 91,396,986 (previous year nil) towards interest accrued but not due. These carries interest 9.75% to 10.35%. In respect of commercial paper maximum amount outstanding during the year was Rs 5,745,559,205. (previous year nil)



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6. Other current liabilities

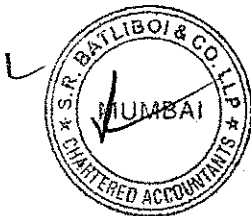
	31 March 2014 Rs.	31 March 2013 Rs.
Creditors for expenses		
-Due to holding company 'Axis Bank Limited'	63,92,869	-
-Due to others	91,41,536	2,05,190
-Undisputed statutory dues	11,41,126	3,98,839
<b>Total</b>	<b>166,75,531</b>	<b>6,04,029</b>

7. Provisions

	Long-term		Short-term	
	31 March 2014 Rs.	31 March 2013 Rs.	31 March 2014 Rs.	31 March 2013 Rs.
Provision against standard assets	139,91,000	-	151,09,000	6,25,000
Provision for employee benefits				
-Provision for compensated absences	-	-	4,87,378	84,247
-Provision for gratuity	-	-	16,21,477	64,515
-Employee benefit payable	-	-	67,72,000	6,15,000
-Provision for taxation [net of advance tax of nil (previous year Rs 97,905,847 )]	-	-	-	15,94,153
	<b>139,91,000</b>	<b>-</b>	<b>239,89,855</b>	<b>29,82,915</b>

9. Investment

	Non-current		Current	
	31 March 2014 Rs.	31 March 2013 Rs.	31 March 2014 Rs.	31 March 2013 Rs.
<b>Investment in debenture/bonds (valued at cost unless stated otherwise)</b>				
<u>Unquoted</u>				
SGGD Projects Development Private Limited (5,500 12% secured, non-convertible debentures face value of Rs. 100,000 each redeemable on 28 September 2015)	5559,55,461	-	-	-
<u>Quoted</u>				
64,720 (Previous year Nil) 8.67% National Hydroelectric Power Corporation face value of Rs 1,000 each redeemable on 02 November 2033)	644,20,000	-	-	-
97,167 (Previous year Nil) 8.67% Power Finance Corporation face value of Rs 1,000 each redeemable on 16 November 2033)	971,67,000	-	-	-
36,098 (Previous year Nil) 8.76% National Housing Bank face value of Rs 5,000 each redeemable on 13 January 2034)	1804,90,000	-	-	-
<b>Total</b>	<b>8980,32,461</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Aggregate amount of quoted investment (Market value Rs.352,961,290 ) (previous year nil)	3420,77,000	-	-	-
2. Aggregate amount of unquoted investments at cost (previous year nil)	5559,55,461	-	-	-



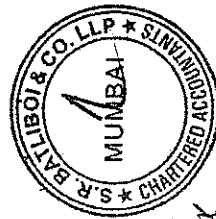
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Note: 8

Fixed assets

Particulars	Gross block				Depreciation			Net block	
	As at 01 April 2013	Addition during the year	Deductions/Adjustments	As a 31 March 2014	As at 01 April 2013	Provided during the year	Deductions/Adjustments	As a 31 March 2014	As a 31 March 2013
<u>Tangible assets:</u>									
Computers	25,480	1,72,637	-	1,98,117	25,480	33,105	-	58,585	1,39,532
Office equipment	-	2,60,892	-	2,60,892	-	18,513	-	18,513	2,42,379
Furniture & fixtures	-	1,00,223	-	1,00,223	-	5,931	-	5,931	94,292
<b>TOTAL</b>	<b>25,480</b>	<b>5,33,752</b>	<b>-</b>	<b>5,59,232</b>	<b>25,480</b>	<b>57,549</b>	<b>-</b>	<b>83,029</b>	<b>4,76,203</b>



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**10. Loans**

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	Rs.	Rs.	Rs.	Rs.
Secured loans	55962,00,000	-	54480,06,559	2418,30,901
	<u>55962,00,000</u>		<u>54480,06,559</u>	<u>2418,30,901</u>

The classification of loans under RBI guidelines is as under

	31 March 2014	31 March 2013
(i) Standard assets	110442,06,559	2418,30,901
(ii) Sub-standard assets	-	-
(iii) Doubtful assets	-	-
(iv) Loss assets	-	-

Loans to the extent of Rs. 11,044,206,559 (Previous year 241,830,901) are secured by:

- (i) Hypothecation of assets and/or
- (ii) Mortgage of property and/or
- (iii) Bank guarantees, Company guarantee or personal guarantee and/or
- (iv) Pledge of shares and/or
- (v) Undertaking to create a security

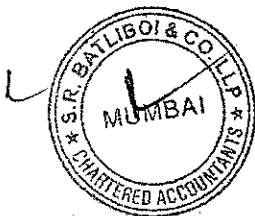
**11. Others**

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	Rs.	Rs.	Rs.	Rs.
Other loans and advances				
Security deposits, unsecured, considered good	65,00,000	-	-	-
Advance tax [net of provision for tax Rs 279,500,000 (previous year nil)]	204,12,761	-	-	-
Prepaid expenses	-	-	1,69,991	6,53,185
Other advances	-	-	14,29,354	33,189
	<u>269,12,761</u>	<u>-</u>	<u>15,99,345</u>	<u>6,86,374</u>

**12. Trade receivables and other assets**

**12.1 Trade receivables**

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	Rs.	Rs.	Rs.	Rs.
Unsecured, considered good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	-	-	-	-
Doubtful	-	-	12,48,136	11,59,892
Provision for doubtful receivables	-	-	(12,48,136)	(11,59,892)
(A)	-	-	-	-
Outstanding for a period less than six months from the date they are due for payment				
Unsecured, considered good	-	-	50,562	1,38,863
Doubtful	-	-	-	7,85,001
Provision for doubtful receivables	-	-	50,562	9,23,864
(B)	-	-	50,562	1,38,863
Total (A) + (B)	-	-	50,562	1,38,863



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12.2 Other assets

	Non-current		Current	
	31 March 2014 Rs.	31 March 2013 Rs.	31 March 2014 Rs.	31 March 2013 Rs.
Interest accrued but not due on fixed deposit	-	-	102,29,606	20,86,274
Interest Accrued but not due on others	-	-	186,60,616	-
	-	-	288,90,222	20,86,274

13. Cash and bank balances

	Non-current		Current	
	31 March 2014 Rs.	31 March 2013 Rs.	31 March 2014 Rs.	31 March 2013 Rs.
Cash and cash equivalents				
-Cash on hand	-	-	1,954	3,942
Balances with banks:				
- On current accounts	-	-	36,83,419	234,83,104
-Deposits with original maturity for less than 3 months	-	-	-	10400,00,000
<b>A</b>			<b>36,85,373</b>	<b>10634,87,046</b>
Other bank balances				
- Deposits with original maturity for more than 12 months	-	-	-	-
- Deposits with original maturity for more than 12 months under lien	-	-	1700,00,000	-
- Deposits with original maturity for more than 3 months but less than 12 months	-	-	-	-
- Deposits with original maturity for more than 3 months but less than 12 months under lien	-	-	-	-
<b>B</b>			<b>1700,00,000</b>	<b>-</b>
<b>Total (A+B)</b>			<b>1736,85,373</b>	<b>10634,87,046</b>

14. Revenue from operations

	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
Interest income		
Interest income on loans	4452,64,659	508,74,967
Interest income on commercial paper, bonds and NCD	652,29,236	87,04,932
Other operating revenue		
Income from processing fees	1323,14,671	307,03,821
Income from advisory fees	398,91,500	-
	<b>6827,00,066</b>	<b>902,83,720</b>

15. Other Income

	For the year ended 31 March 2014 Rs.	For the year ended 31 March 2013 Rs.
Interest on fixed deposit	119,88,354	47,65,116
Profit on sale of current investment	649,32,616	669,61,620
Reversal of provision against standard and sub-standard asset	-	6,50,000
Miscellaneous income	6,96,757	21
	<b>776,17,727</b>	<b>723,76,757</b>



*J B R*



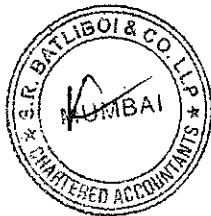
16. Employee benefits expense	For the year ended 31	For the year ended 31
	March 2014	March 2013
	Rs.	Rs.
Salaries	487,43,205	23,00,415
Contribution to provident & other funds	3,03,324	1,01,198
Staff Welfare	45,852	1,500
	<u>490,92,381</u>	<u>24,03,113</u>

17. Finance costs	For the year ended 31	For the year ended 31
	March 2014	March 2013
	Rs.	Rs.
Interest on loan from bank and other financial expenses	1473,73,950	4,22,291
Other finance expenses	62,71,597	-
	<u>1536,45,547</u>	<u>4,22,291</u>

18. Provisions and write off	For the year ended 31	For the year ended 31
	March 2014	March 2013
	Rs.	Rs.
Provision against standard assets	284,75,000	-
	<u>284,75,000</u>	<u>-</u>

19. Other expense	For the year ended 31	For the year ended 31
	March 2014	March 2013
	Rs.	Rs.
Rent	85,78,063	-
Electricity expenses	7,24,344	-
Repairs and maintenance - others	5,52,640	2,02,899
Printing and stationery	1,29,310	3,00,076
Travelling and conveyance	23,53,079	32,400
Professional fees	77,66,215	17,99,811
Provision for doubtful debts	-	19,44,893
Auditors remuneration:		
Statutory audit	11,00,000	1,50,000
Limited review	-	2,50,000
Tax audit fees	-	25,000
Other services	-	30,000
Telephone and internet expenses	4,63,771	16,740
Miscellaneous expenses	22,59,899	4,27,290
	<u>239,27,321</u>	<u>51,79,109</u>

20. Depreciation and amortization expense	For the year ended 31	For the year ended 31
	March 2014	March 2013
	Rs.	Rs.
Depreciation of tangible assets	57,549	6,720
	<u>57,549</u>	<u>6,720</u>



*J B K*

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21. The Company has no capital commitment as at 31<sup>st</sup> March 2014 (previous year Rs. Nil)
22. Fixed deposits of Rs. 170,000,000 (previous year Rs. Nil/-) with Axis Bank is under lien with Axis Bank for overdraft facility.
23. There is no contingent liability as at 31<sup>st</sup> March 2014 (previous year Rs. Nil)
24. Basic and Diluted Earning per share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings per share"

Particulars		2013 - 2014 Rs.	2012 - 2013 Rs.
<b>Basic</b>			
Profit after tax as per Statement of Profit and Loss	A	334,771,825	102,526,657
Weighted Average Number of Shares	B	217,393,836	4,034,932
Basic Earnings per share	A/B	1.54	25.31
<b>Diluted</b>			
Adjusted Profit after tax	C	334,771,825	102,526,657
Weighted Average Number of Shares	D	217,393,836	4,034,932
Diluted Earnings per share	C/D	1.54	25.31
Nominal Value per share		10	10

**25. Segment Information :**

The Company is operating under single business segment of Financing activities and single geographical segment hence no further details needs to be disclosed as per AS 17 'Segment reporting', other than those already disclosed in financial statements.

**26. Related parties disclosure:**

Disclosure in respect of Related Parties pursuant to Accounting Standard – 18:

**List of Related Parties:-**

Parties where control exists: Holding Company

Axis Bank Limited ("ABL") (From 8 February 2013)

Axis Capital Limited ("ACL") (From 19 October 2012 till 8 February 2013)

Enam Securities Private Limited (till 19 October 2012)

Fellow subsidiaries companies

Axis Private Equity Limited ("APEL")

Axis Securities Limited ("ASL")

Axis Mutual Fund Trustee Limited ("AMFTL")

Axis Trustee Services Limited ("ATSL")

Axis Asset Management Company Limited ("AAMCL")

Axis Bank U.K. Limited ("ABUKL")

Axis Capital Limited ("ACL") (From 8 February 2013)

Axis Securities Europe Limited ("ASEL")

Enam International Limited ("EIL")

Joint Venture of Holding Company

Russan Auto Finance India Private Limited ("BAFIPL")



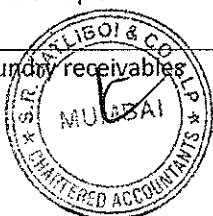
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Key management person  
Mr. Bipin K Saraf

**Transactions with related parties**

Particulars	Holding Company Rs.	Fellow Subsidiary Rs.	Key Management Personnel Rs.	Total Rs.
<b>Income</b>				
Processing fees	-	-	-	-
	(846,749)	(-)	(-)	(846,749)
Interest on fixed Deposit	11,988,354	-	-	11,988,354
	(2,318,082)	(-)	(-)	(2,318,082)
<b>Expenses</b>				
	7,583,036	-	-	7,583,036
Rent paid	(-)	(-)	(-)	(-)
Bank charges	48,613	-	-	48,613
	(267)	(-)	(-)	(267)
Recovery of expenses (ACL)	-	771,995	-	771,995
	(-)	(-)	(-)	(-)
Reimbursement of staff cost	23,035,671	-	-	23,035,671
	(-)	(-)	(-)	(-)
Other reimbursement of expenses	1,981,933	-	-	1,981,933
	(-)	(-)	(-)	(-)
Commission charges	160,000	-	-	160,000
	(-)	(-)	(-)	(-)
Interest paid on borrowings	12,681,680	-	-	12,681,680
	(-)	(-)	(-)	(-)
Internet charges paid (ASL)	-	27,833	-	27,833
	(-)	(-)	(-)	(-)
Professional fees (ATSL)	-	25,000	-	25,000
	(-)	(-)	(-)	(-)
Salary and contribution to PF	-	-	10,233,725	10,233,725
	(-)	(-)	(-)	(-)
Service charges (ACL)	-	446,087	-	446,087
	(-)	(-)	(-)	(-)
<b>Closing Balance</b>				
Share Capital	2,557,500,000	-	-	2,557,500,000
	(57,500,000)	(-)	(-)	(57,500,000)
Sundry receivables	5,620	-	-	5,620



*(Handwritten signatures)*

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	(-)	(-)	(-)	(-)
Short term borrowings	621,180,136	-	-	621,180,136
Fixed deposit	(-)	(-)	(-)	(-)
Interest receivable	170,000,000	-	-	170,000,000
Current account balance	(1,040,000,000)	(-)	(-)	(1,040,000,000)
Sundry payables	10,229,606	-	-	10,229,606
Sundry payables (ASL)	(2,086,274)	(-)	(-)	(2,086,274)
Sundry payables (ATSL)	3,429,990	-	-	3,429,990
Sundry payables (ACL)	(3,813,790)	(-)	(-)	(3,813,790)
Sundry payables	6,398,489	-	-	6,398,489
Sundry payables (ASL)	(-)	(-)	(-)	(-)
Sundry payables (ATSL)	-	5,711	-	5,711
Sundry payables (ACL)	(-)	(-)	(-)	(-)
Sundry payables	-	25,590	-	25,590
Sundry payables	(-)	(-)	(-)	(-)
Sundry payables	-	456,615	-	456,615
Sundry payables	(-)	(-)	(-)	(-)

Note: -

1. Related party relationships and transactions have been identified by the Management and relied upon by the Auditors.
2. The remuneration to the key managerial person does not include provisions made for gratuity and leave benefits as they are determined on actuarial basis for the company as whole.
3. Figures in bracket pertain to previous year.

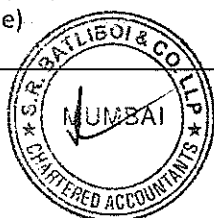
27. Gratuity and other benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the respective plans.

Net employee benefit expense (recognized in employee cost)\*:

	2013-14 (Rs.)
Current service cost	41,674
Interest cost on benefit obligation	13,020
Expected return on plan assets	(8,766)
Net actuarial (gain)/ loss recognized in the year	(568,675)
Past service cost	-
Transferred from group company	-
Net benefit expense/(income)	(522,747)
Actual return on plan assets	-
Balance sheet	



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**Details of provision for gratuity\*:**

	2013-14 (Rs.)
Defined benefit obligation	1,870,934
Fair value of plan assets	249,457
Less: Unrecognised past service cost	-
<b>Plan liability</b>	<b>1,621,477</b>

**Changes in the present value of the defined benefit obligation are as follows\*:**

	2013-14 (Rs.)
Opening defined benefit obligation	166,920
Interest cost	13,020
Current service cost	41,674
Liability transferred in	2,217,995
Actuarial (gains)/losses on obligation	(568,675)
<b>Closing defined benefit obligation</b>	<b>1,870,934</b>

**Changes in the fair value of plan assets are as follows\*:**

	2013-14 (Rs.)
Opening fair value of plan assets	116,883
Expected return	8,766
Contributions by employer	123,808
Benefits paid	-
Actuarial gains/(losses)	-
<b>Closing fair value of plan assets</b>	<b>249,457</b>

Provision for gratuity was Rs. 64,515 as at 31 March 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows\*:

	Gratuity 31 March 2014
Investment with insurer	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below\*:

	2013-14 (Rs.)
Discount rate	9.38%
Expected rate of return on assets	9.38%
Employee turnover	2.00%
Salary escalation rate	7.00%



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The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current periods are as follows\*:

	2013-14 (Rs.)
Defined benefit obligation	1,870,934
Plan assets	2,49,457
(Surplus) /deficit	1,621,477
Experience adjustments on plan liabilities	-
Experience adjustments on plan assets	-

\*Information provided to the extent of information available with the Company

## 28. Leases

### Operating Lease:

Office premise is obtained on operating lease. The lease term is for 3 years with no escalation clause and with 3 months' notice. There are no restrictions imposed by lease arrangements. There are no subleases.

	Operating Lease	
	2013-14 (Rs.)	2012-13 (Rs.)
Minimum lease payments :		
Not later than one year	3,567,075	-
Later than one year but not later than five years	-	-
Later than five years	-	-
Lease payment for the year	8,578,063	-

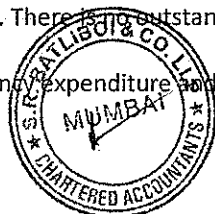
## 29. Deferred taxation:

In accordance with Accounting Standard 22 "Accounting for Taxes on Income" (AS 22), the Company has accounted for deferred taxes during the year. Deferred tax comprises of timing difference on account of following:-

Deferred Tax Asset/(Liability)	2013-14 Rs.	2012-13 Rs.
Depreciation	(32,266)	212
Provision on standard assets and doubtful debts	10,315,331	631,021
<b>Total</b>	<b>10,283,065</b>	<b>631,233</b>

30. Information related to Micro, Small and Medium Enterprises Development Act, 2006 (Act) has been determined to the extent such parties have been identified on the basis of information available with the Company. There is no outstanding balance due to such parties at year end. (Previous year Rs. Nil).

31. Foreign currency expenditure and foreign currency income during the year was nil (previous year nil).



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32. Additional information in terms of RBI circular no. DNBS (PD) CC No. 333/03.02.001/2013-14 dated July 1, 2013.

1) Capital to Risk-Asset Ratio (CRAR)

Sl. No.	Items	2013-14	2012-13*
(i)	CRAR (%)	34.59%	534.43%
(ii)	CRAR- Tier I Capital (%)	34.35%	534.43%
(iii)	CRAR- Tier II Capital (%)	0.24%	NA

2) Exposure to Real Estate Sector

(ii) Exposure to Real Estate Sector	2013-14 Rs.	2012-13* Rs.
a) Direct Exposure		
Residential Mortgages	-	-
Infrastructure Real Estate (SEZs, Industrial Parks, IT Parks)	-	-
Commercial Real Estate	3,913,924,832	-
Investment in Mortgage Backed Securities(MBS) and other securitised exposures	-	-
# undisbursed and outstanding		
(ii) Exposure to Real Estate Sector		
b) Indirect Exposure		
Investment in Tax free bond of National Housing Bank	180,490,000	-

3) Disclosure on fraud

Financial year 2013-14

Type of fraud	Number of cases	Amount involved	Amount recovered	Provision
Identity Theft	-	-	-	-

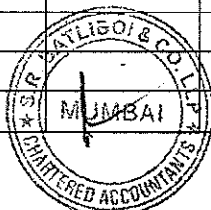
Financial year 2012-13\*

Type of fraud	Number of cases	Amount involved	Amount recovered	Provision
Identity Theft	-	-	-	-

4) Maturity pattern of certain items of assets and liabilities

Financial year 2013-14

Liabilities	Upto 1 Months Rs.	1 month to 2 months Rs.	2 month to 3 months Rs.	3 month to 6 months Rs.	6 month to 1 year Rs.	1 to 3 year Rs.	3 to 5 year Rs.	Over 5 year Rs.	Total Rs.
Borrowing from Banks	-	-	-	160,720,205	3,064,068,349	-	-	-	3,224,788,554
Market Borrowings	497,868,857	789,669,135	981,241,528	-	2,514,866,518	-	-	-	4,783,646,038
Assets	Upto 1 Months	1 month to 2 months	2 month to 3 months	3 month to 6 months	6 month to 1 year	1 to 3 year	3 to 5 year	Over 5 year	Total
Advances	492,631,424	500,000,090	1,249,612,644	2,472,083,837	2,980,506,342	2,649,372,222	700,000,000	-	11,044,206,559
Investments	-	-	-	-	-	555,955,461	-	342,077,000	898,032,461



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Financial year 2012-13\*

Liabilities	Upto 1 Months Rs.	1 month to 2 months Rs.	2 month to 3 months Rs.	3 month to 6 months Rs.	6 month to 1 year Rs.	1 to 3 year Rs.	3 to 5 year Rs.	Over 5 year Rs.	Total Rs.
Borrowing from Banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	-	-	-	-	-	-
Assets	Upto 1 Months	1 month to 2 months	2 month to 3 months	3 month to 6 months	6 month to 1 year	1 to 3 year	3 to 5 year	Over 5 year	Total
Advances	-	-	-	-	241,830,901	-	-	-	241,830,901
Investments	-	-	-	-	-	-	-	-	-

\*as per return submitted to Reserve Bank of India ("RBI")

**33. Penalties / fines imposed by the Reserve Bank of India ("RBI")**

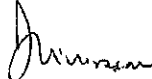
The following information is disclosed in term of the RBI circular (Ref. No. RBI/2010-11/115 IDMD.17/11.01.01(B)2010-11) dated July 14, 2010:

During the year there is no penalties imposed by RBI (previous year Rs. Nil).

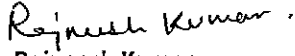
34. Figures of previous year audit have been audited by another auditor

35. Previous year figures have been re-grouped, re-classified wherever necessary to conform to current year's presentation.

For and on behalf of the board of Axis Finance Limited

  
Srinivasan Varadarajan  
Chairman

  
Bipin Saraf  
Managing Director

  
Rajneesh Kumar  
Company Secretary

